

Ojas Mall Management Private Limited

July 04, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based-Term Loan	80.00	80.00	[ICRA]BB- (Stable); Re-affirmed
Total	80.00	80.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has re-affirmed the long-term rating of [ICRA]BB- (pronounced ICRA double B minus)¹ for the Rs. 80-crore² fund-based bank facilities of Ojas Mall Management Private Limited (OMMPL or the company). The outlook on the long-term rating is Stable.

Rationale

The rating re-affirmation continues to take into consideration the strong parentage of the Future Group and draws comfort from the Group's timely funding support for meeting the debt obligation. The rating also continues to draw strength from the full occupancy of the mall with Big Bazaar, Brand Factory and Home Town being the three lessees at present leading to low vacancy levels. Further, the rating also draws strength from low renewal risk, given the earliest renewal scheduled in FY2023.

The rating, however, is constrained by single asset concentration risk and the company's modest scale of operations with the current rental earnings being lower than the contracted rentals, owing to downward revision of rentals over the years. The rating is further constrained by the high lessee concentration risk as the top-tenant accounts for ~48% of the total leasable area. The rating is also constrained by the weak credit profile of OMMPL owing to its high debt obligation in comparison to the fund flows from operation. The rating additionally factors the high dependence on the Future Group to service its debt repayment obligations, given the muted cash flows from operations. The company needs to repay its outstanding debt obligation by FY2020. Nonetheless, timely Group support to meet the debt servicing obligations will continue to remain the key rating sensitivity.

Outlook: Stable

ICRA believes OMMPL will continue to draw support from promoter group owing to its own weak credit profile. The outlook may be revised to Positive if debt prepayment or refinancing improves the financial risk profile of the company. The outlook may be revised to Negative if the support from promoter and Group companies declines, or if any sudden increase in capital expenditure further weakens its coverage and liquidity indicators.

¹For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

²100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

Established operational track record marked by high occupancy rate - The company has the mall operating since August 2007, marked by 100% occupancy rate and occupant profile comprising other Future Group companies such as Big Bazaar, Brand Factory and Home Town.

Strong parentage of Future Group - Being a part of the Future Group, OMMPL enjoys full promoter/backing evidenced by personal guarantee of Mr. Kishore Biyani and the continued infusion of funds, in a timely manner, to support the debt servicing.

Low vacancy and renewal risk - The vacancy and renewal risk remain low as the complete leasable space is used for captive consumption by the Future Group. Further, as per the rental agreement, leases exist for nine years, with the earliest renewal expected in FY2023. However, the rentals received by the company are lower than the contracted amount.

Credit challenges

Low rental rates leading to muted scale of operations - Downward revision in rental rates over the years, with the current rental earnings even lower than the contracted rentals, has impacted the company's cash flow position.

Weak credit risk profile marked by elevated debt levels - High debt repayment obligations in relation to the fund flow from operations has rendered promoter support essential in order to meet the debt servicing obligation in a timely manner. Thus, timely funding support from the Group remains critical to ensure timely debt servicing.

Exposed to asset concentration risk due to single property portfolio - The company draws its revenues from a single mall being operated in Ahmedabad. The project being a single mall SPV exposes OMMPL to high asset concentration risk.

High concentration risk with the top anchor contributing ~48.7% of the total leasable area - The entire leasable area is occupied by only three major tenants, out of which the top-tenant (Big Bazaar) contributes ~34.5% of the annual rental revenue and occupies ~48.7% of the total leasable area. Though the vacancy risk is low considering the entire mall space leased out for captive consumption, downward revision in the rental rates or a reduction in the leased area by the lessee (due to a dip in lessee's business as happened in FY2014 by Home Town) remains a key risk.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Rating Methodology for Debt Backed by Lease Rentals](#)

About the company:

OMMPL is a Future Group company. OMMPL forms part of the Biyani Family Office, which refers to promoter-owned entities. Entities that form a part of the family office enjoy strong promoter support/backing evidenced by personal guarantee of Mr. Kishore Biyani. These entities typically have 100% exposure only to the Future Group companies. At present, OMMPL owns and operates 1.33 lakh sq ft of retail area on the first three floors of the Acropolis Mall at Ahmedabad. The area is 100% occupied, with Big Bazaar, Brand Factory and Home Town being the lessees.

Key financial indicators

	FY2017	FY2018P*
Operating Income (Rs. crore)	2.6	3.0
PAT (Rs. crore)	-20.1	-17.1
OPBDIT/OI (%)	55.5	74.7
RoCE (%)	-9.3	-8.9
Total Debt/TNW (times)	-2.9	-2.4
Total Debt/OPBDIT (times)	138.7	93.6
Interest Coverage (times)	-1.8	-2.0

*FY2018 numbers are provisional in nature as provided by the company

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on March 2018	Date & Rating	Date & Rating in	Date & Rating in	Date & Rating in
					FY2017	FY2016	FY2015
1	Term Loan	80.00	30.37	July 2018 [ICRA]BB-(Stable)	Mar 2017 [ICRA]BB-(Stable)	Dec 2015 [ICRA]BB-(Stable)	Dec 2014 [ICRA]BB-(Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Feb-2011	-	Feb-2020	80.00	[ICRA]BB-(Stable)

Source:OMMPL

ANALYST CONTACTS

Shubham Jain

+91 124 4545 306
shubhamj@icraindia.com

Manav Mahajan

+91 124 4545 817
manav.mahajan@icraindia.com

Ashirbad Rath

+91 226 1693 327
ashirbad.rath@icraindia.com

Anand Patel

+91 226 1693 326
anand.patel@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 226 1143406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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