Mall of Joy Private Limited

February 01, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	30.00	28.16	[ICRA]BBB- (Stable); reaffirmed
Unallocated Limits	0.00	1.84	[ICRA]BBB- (Stable); reaffirmed
Total	**30.00**	**30.00**	

*Instrument details are provided in Annexure 1

Rating action

ICRA has reaffirmed the long-term rating at [ICRA]BBB- (pronounced ICRA triple B minus) [1] for the Rs. 30.00-crore[2] long-term facilities of Mall of Joy Private Limited (MOJPL). The outlook on the long-term rating is Stable.

Rationale

The rating reaffirmation continues to take into consideration the strong parentage of the company, being a part of the reputed Joyalukkas Group. The ratings positively factor in the promoter's long experience in managing diverse businesses and also the financial support extended by the promoter in the form of non-interest bearing unsecured loans. The rating also factors in the favourable location of the malls with presence on key arterial roads, leading to healthy footfalls. Further, the rating derives comfort from the healthy tenant profile with the anchor stores, Jolly Silks and Joyalukkas Jewellery, belonging to Joyalukkas Group, mitigating the counter-party risk to a great extent.

The rating is, however, constrained by the stretched capital structure on account of sizeable level of debt availed towards construction of Mall of Joy – Kottayam coupled with the erosion of the net worth in FY2017, subsequent to steep net losses incurred by the company on account of high interest expenses and depreciation charges. The rating also takes into consideration the high operating expenses at the malls, which have resulted in low operating accruals and subsequently weaker coverage indicators. However, ICRA takes comfort from the company's financial flexibility for being a part of the Joyalukkas Group and the stated intention of the promoters to infuse unsecured loans over the coming years to support debt servicing.

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

[2] *100 lakh = 1 crore = 10 million*

Outlook: Stable

ICRA believes that MOJPL will continue to benefit from the strong tenant profile, with anchor stores being a part of the Joyalukkas Group, which is expected to support the footfalls for the mall. It is expected that the promoter would continue to extend the required financial support for meeting the funding shortfall. The outlook may be revised to 'Positive' if the financial profile of the company improves with improvement in capital structure and coverage indicators. The outlook may be revised to 'Negative' if there are any delays in rental receipts or support from the promoter group resulting in an adverse impact on the liquidity profile of the company.

Key rating drivers

Credit strengths

Established brand recognition of the Joyalukkas Group and extensive experience of the promoter in handling diverse businesses – The Joyalukkas Group, promoted by Mr. Alukkas Varghese Joy, has an established presence across various sectors including jewellery, fashion and silks, luxury charters and real estate. Mr. Joy incorporated Joyalukkas Jewellery LLC in 1987 and the first jewellery store was set up in Abu Dhabi. He established Joyalukkas India Private Limited in 2002, which is a leading retailer of 22-carat jewellery in India with 64 stores across the country. In 2011, he established Joyalukkas Retail Private Limited, which is involved in textile retail business under the name Jolly Silks.

Financial support extended by the promoters – The promoter has been extending financial support in the form of interest-free unsecured loans to meet the funding gap and also to enable the company in meeting the debt obligations on a timely manner. Unsecured loan from the promoter stood at Rs. 29.7 crore as on March 31, 2017.

Healthy occupancy levels at the malls under MOJPL – The occupancy at the malls operated by MOJPL are healthy with an occupancy level of 95.4% of the total leasable area at MOJ – Thrissur and 94.0% at MOJ – Kottayam. Further, nearly ~83.0% of the total leasable area of the malls is occupied by anchor stores belonging to the Joyalukkas Group. An overall attractive location of the malls which are located at commercial hubs, coupled with anchor stores belonging to the Joyalukkas Group, drives healthy footfalls for these malls.

Credit challenges

Highly leveraged capital structure – The financial profile of the company is characterised by highly leveraged capital structure on account of sizeable term loans availed towards construction of Mall of Joy, Kottayam. Further, with steep net losses incurred in FY2017, the net-worth position turned negative, resulting in further deterioration of the capital structure.

Weak coverage indicators – The moderate profitability of the company, on account of high operating costs at the malls and relatively lower rentals charged to group companies, coupled with high debt obligations on the term loan resulted in weak coverage indicators. However, comfort could be drawn from the financial support extended by the promoter, Mr. Alukkas Varghese Joy.

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

Links to applicable criteria:

Corporate Credit Rating Methodology

About the company

Mall of Joy Private Limited, promoted by Mr. Alukkas Varghese Joy, the Managing Director and Chairman of Joyalukkas Group, was incorporated in June 2013. The company is primarily involved in renting out commercial space after developing shopping malls. Named "Mall of Joy", the shopping malls are designed to offer single-window shopping experience, mainly for weddings. The company's first mall in the chain under the name "Mall of Joy" became operational in April 2014 and the second mall situated in Kottayam commenced operations in June 2016. The anchor stores of the mall are Jolly Silks (M/s Joyalukkas Retail Private Limited) and Joyalukkas Jewellery (M/s Joyalukkas India Private Limited).

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	7.79	15.87
PAT (Rs. crore)	0.42	(6.87)
OPBDIT/ OI (%)	3.89%	4.20%
RoCE (%)	15.14%	-13.62%
Total Debt/ TNW (times)	58.36	(9.52)
Total Debt/ OPBDIT (times)	152.8	86.6
Interest Coverage (times)	-	0.24
NWC/ OI (%)	42.21%	-14.46%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2017 (Rs. crore)	Date &Rating February 2018	Date & Rating in FY2017 August 2016	Date & Rating in FY2016 January 2016	Date & Rating in FY2015 December 2014
Term Loan	Long term	28.16	28.16	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)		
Unallocated Limits	Long term	1.84	1.84	[ICRA]BBB- (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	November 2016	-	October 2023	28.16	[ICRA]BBB-(Stable)
NA	Unallocated Limits	-	-	-	1.84	[ICRA]BBB-(Stable)

Source: Mall of Joy Private Limited

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About ICRA Limited:

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