

April 02, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loans (Lease Rental Discounting)	620.00	SMERA BBB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.620.00 crore bank facilities of Offbeat Developers Private Limited (ODPL). The outlook is '**Stable**'. The rating is supported by the company's experienced management. The rating draws comfort from the improvement in the company's liquidity position on account of refinancing of existing loans with lower interest rate and healthy financial flexibility of its promoters. The rating is supported by the popularity of the company's mall, which has high occupancy levels and reputed tenant profile. The rating also draws comfort from the healthy cash flow in the company's ongoing project. However, the rating notes that the company is susceptible to cash flow mismatch in the event of premature termination of the ongoing leave and license agreements. The rating is also constrained by the company's exposure to project execution risk.

ODPL, incorporated in 2000, is a Mumbai-based special purpose vehicle created to develop and manage retail and commercial properties. The company has developed Phoenix Marketcity Mall in Mumbai. ODPL benefits from its experienced management. The promoters of the company have around 20 years of experience in the real estate sector. ODPL's financial flexibility has improved post refinancing of term loans into Lease Rental Discounting (LRD) loan, which has relatively favourable repayment terms and lower interest rate. In past, the company has received funding support from its promoters by way of unsecured loans. SMERA believes that healthy financial flexibility of the promoters enables funding support in future. ODPL also benefits from the popularity of Phoenix Marketcity Mall, which has high occupancy levels of ~90 per cent with the presence of reputed tenants such as PVR, Reliance Mart and Marks & Spencer.

ODPL is undertaking construction of a commercial complex (Art Guild House) in Kurla, Mumbai. The project cost is ~Rs.557 crore. The company has incurred ~Rs.360.00 crore towards completing ~64 per cent of the project. ODPL expects to complete the project by FY2016-17. The company has registered healthy bookings (~43 per cent of total realizable value) in the project.

ODPL is susceptible to cash flow mismatch in the event of premature termination of the ongoing leave and license agreements. The company is also exposed to execution risk inherent in the ongoing project.

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**Outlook: Stable**

SMERA believes ODPL will maintain a stable business risk profile over the medium term on the back of experienced management and strong brand image of Phoenix Mills. The outlook may be revised to 'Positive' in case the company generates strong cash accruals while maintaining comfortable liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile on account of large debt-funded capital expenditure, or in case of decline in the company's cash flows on account of premature termination of lease and licence agreements.

Rating sensitivity factors

- Timely execution of the ongoing project
- Maintaining occupancy levels
- Timely collection of rentals and booking money
- Renewal of lease agreements

About the company

ODPL, incorporated in 2000, is a Mumbai-based special purpose vehicle promoted by Phoenix Mills Limited (56.26 per cent stakeholder), Horizon venture I (18.22 per cent stakeholder), IIRF Holding X Limited (13.18 per cent stakeholder) and HBS Realtors Private Limited (5.35 per cent stakeholder). ODPL was established to develop and manage commercial properties. The company has developed Phoenix Marketcity Mall (spread over 1.14 million sq. ft.) in Kurla, Mumbai. ODPL is currently undertaking construction of a commercial property (area of 0.76 million sq. ft.) in Kurla, Mumbai.

For FY2013-14, ODPL reported profit after tax (PAT) of Rs.2.01 crore on operating income of Rs.300.38 crore, as compared with PAT of Rs.7.62 crore on operating income of Rs.273.55 crore in FY2012-13. The company has registered PAT of Rs.3.81 crore (provisional) on operating income of Rs.187.53 crore (provisional) for the period April 2014 to December 2014. ODPL's net worth stood at Rs.340.31 crore as on March 31, 2014, as compared with Rs.333.54 crore a year earlier

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SMERA RATINGS LIMITED

Offbeat Developers Private Limited (ODPL)

*Rating
Rationale*

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