

October 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loans (Lease Rental Discounting)	620.00	SMERA BBB-/Stable (Reaffirmed)
Term Loan *	150.00	SMERA BBB-/Stable (Assigned)
Inland Bank Guarantee	5.00	SMERA A3 (Assigned)

\* Overdraft of Rs.25.00 crore and Letter of Credit of Rs.5.00 crore - sub limit within term loan.

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs.620.00 crore bank facility and assigned a long-term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short-term rating of '**SMERA A3**' (read as SMERA A three) to the Rs. 155.00 crore bank facilities of Offbeat Developers Private Limited (ODPL). The outlook is '**Stable**'.

The ratings draw support from the comfortable liquidity position of the company owing to the refinancing of existing loans and the additional funding support received by way of unsecured loans from promoters (unsecured loans have been subordinated to bank debt). The ratings also factor in the high occupancy level of the mall, reputed tenants profile, advanced stage of construction of Art Guild House and the promoters extensive experience in the real estate and retail industry. However, the ratings are partially offset by the possibility of premature termination of the ongoing lease and license agreements and exposure to project execution risk.

### Update

ODPL registered operating revenues of Rs.238.52 crore in FY2014-15 (refers to financial year, April 1 to March 31), as against Rs.300.38 crore a year earlier. The overall revenues have declined majorly on account of decline in the sale of property to Rs.77.25 crore in 2014-15, against Rs.154.76 crore a year earlier. However, the revenues from sale of services (i.e. from mall operations) have increased to Rs.161.11 crore in FY2014-15 from Rs.145.44 crore a year earlier which is majorly due to the improvement in the occupancy levels. SMERA believes that the business risk profile of the company is expected to improve over the medium term majorly on account of its sustainable net cash accruals from mall operations, revenue receipts from already sold units of Art Guild House and unsold units of the same.

ODPL has sustained its existing financial risk profile with aggressive capital structure as indicated by its gearing levels of around 2.4x times with healthy net worth of ~Rs.316 crore as on March 31, 2015. The debt protection metrics continues to remain stretched in FY2014-15, mainly on account of cash flow mismatches from the Art Guild House project. However, the liquidity profile of ODPL is expected to remain stable going forward backed by expected sufficient net cash accruals vis-à-vis debt repayment obligation.

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## Outlook: Stable

SMERA believes ODPL will maintain a stable business risk profile over the medium term owing to an experienced management and strong brand image of Phoenix Mills. The outlook may be revised to 'Positive' in case the company generates healthy net cash accruals while maintaining a comfortable liquidity position. The outlook may be revised to 'Negative' with deterioration in the company's financial profile on account of large debt-funded capital expenditure or higher than expected cash flow mismatches from the mall operations or Art Guild House project.

## About the Company

Incorporated in 2000, ODPL is promoted by Phoenix Mills Limited (PML) which currently holds over 65% equity stake in ODPL. PML has nearly 2 decades experience in managing large retail led format malls. The High Street Phoenix and the Palladium Mall at Lower Parel, Mumbai are the flagship properties of the Phoenix Mills Group.

ODPL has developed and manages the Phoenix Marketcity Mall (PMC) in Kurla, Mumbai which has a total leasable area of over 1.1 Million Square Feet (Mn. Sq. Ft.) The mall has started its full fledge commercial operations from November, 2011.

ODPL is also engaged in construction of commercial building (Art Guild House) in the same land parcel which also houses PMC. The construction of Art Guild House is expected to be completed by last quarter of the current financial year i.e. FY 2015-16.

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