

D.B. Malls Private Limited

April 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	581.08 (Reduced from 597.00)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed; Outlook revised from Negative
Total Bank Facilities	581.08 (Rs. Five Hundred Eighty-One Crore and Eight Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to bank facilities of D. B. Malls Pvt Ltd (DBMPL) factor steady operations of the mall marked by consistently high occupancy levels, high trade density and increasing lease rental rates. The rating also derives strength from strong parentage Danik Bhaskar (DB) group, experienced promoters in the field of operating malls, favourable location of D. B. Mall and presence of long-term lease agreements with tenant profile consisting of reputed clients with strong credit profile with terms ensuring long term revenue sustainability.

The strengths are, however, tempered by highly leveraged capital structure, susceptibility of lease rentals and lease rollovers to any slowdown in the economic environment and upcoming expiry of lease agreements, exposure to group companies and inherent cyclical nature of the retail and real estate sector.

The ratings also factors the slowdown of business operation in the current fiscal led by Covid-19 pandemic with the mall shutting down of operations from March 22, 2020 to June 06, 2020 and loss of rental income averaging to around 4 month period on account of the lower foot falls due to several restrictions imposed by the government.

Outlook Stable: The revision in the outlook from “Negative” to “Stable” is on account of improving footfalls and revenue generation to pre-covid level.

Positive Factors: - Factors that could lead to positive rating action/upgrade:

- Decrease in Debt/Rental ratio of less than 5x from current levels of around 7.5x.
- Increase in trading density y-o-y by 15% on sustainable basis.

Negative Factors: - Factors that could lead to negative rating action/downgrade:

- Decline in occupancy levels by over 10%.
- Any additional loans resulting to deterioration of overall gearing beyond 8x.
- Any significant change in Anchor tenant profile.
- Any additional investments in group companies.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and Resourceful promoter Group

D B Malls Private Ltd. (DBM) is a part of the Danik Bhaskar (DB) group (flagship company being DB Corp Ltd (DBCL). DBCL is one of the leading print media groups amongst national dailies in terms of readership with a total readership of ~69 million readers across its various publications. DBCL’s flagship newspaper DB is the most widely read Hindi newspaper in India.

The group has turned into a diversified conglomerate, with interests in various businesses like textiles, solvent extraction, vegetable oil refining, TV media, FM radio and real estate development from its traditional business of being a leading newspaper publication house. The group has sizeable presence in real estate business.

Incorporated in June 2006, D B Malls Private Limited (DBM) commenced operations in August 2010. The mall has a healthy track record of around nine and half years with a total built-up area of 12.65 lakh square feet and leasable area of 8.67 lakh square feet spread across retail outlets, commercial offices and a five-star hotel. The promoter and the top management of the company are well qualified and have a significant experience in operating malls.

Favourable location of the mall with stable footfalls

DB City Mall is the first and biggest mall in the city of Bhopal (Madhya Pradesh). The mall is located at the heart of the city at Sanjay Nagar, Arera Hills in Bhopal. The Raja Bhoj airport is 16.5 km and Bhopal railway station is 5.5 km from project site. Further, high net-worth residential areas such as Arera colony, Charlmli and ministerial secretariat are just 5-10 mins drive. Besides, the upcoming Bhopal metro will have a stop right in front of the mall which augurs well for future footfalls. The mall has a total built-up area of 12.65 lakh square feet and leasable area of 8.67 lakh square feet spread across retail outlets,

commercial offices and a 5 star Courtyard by Marriott Hotel. The mall houses a 6 screen multiplex, 5 restaurants, a 30,000 sq ft food court, a 15,000 sq ft family entertainment centre, 165 indian and international brands/outlets, etc. The mall has an advantage due to its size, location, and brand mix. The mall's annual footfalls have remained stable at over and around 10 mn. in last 3 years while the annual mall sales have grown at a CAGR of 9.15% in the last 5 years from FY16 to FY20.

Consistent high occupancy and lease tie ups with diversified and reputed tenant base

DBM had tied up leasing for ~92% (~7.96 lsf) of the total leasable area of 8.67 lsf as on Feb 2021 as compared to 97% occupancy levels in FY20. The property is leased out to around ~165 retail clients and ~20 corporate tenants. With around top ten tenants accounting for around 40% of total rental revenue indicates well diversified tenant profile. Some of the top brands include Shopper's Stop, Reliance Digital, Marks and Spencer, Cinapolis, Westside etc. in retail and Tata Consultancy Services, Tata Communications, Reliance Jio, Bhopal's Passport Seva Kendra, etc. The mall offers diverse mix of brands for shopping, entertainment and dining having local and global niche brands, thereby attracting a large base of customers/population.

Key Rating Weaknesses

Lease renewal risk; however the mall has demonstrated renewal of lease with higher rates

The mall has been operational since August 2010 and the occupancy level has remained high. Roughly 65% of the mall revenue comes from rentals; CAM income is ~20-22% while revenue share from various tenants is ~5-6%. The increase in rental income in FY20 has been on the back of annual escalation in the rate per sq.ft on the existing agreements along-with signing of new lease agreements at higher rates.

Going forward, around ~3.31% of the lease agreements is expected to expire and due for renewal in FY22. Nevertheless, given the mall is the largest in Bhopal and is at a strategic location, most of the existing major tenants have continued to occupy their retail spaces post the expiry of their initial lock-in period and have also completed multiple rounds of escalations. Thus, the roll over risk though appears to be low yet the company's revenues remain susceptible to sudden exit of large tenants and the subsequent lag in leasing out the vacant area owing to economic slowdown leading to potential stress on cash flow. Furthermore, the lease rentals can also be influenced by consumer spending and macro-economic conditions. Going forward, any material changes in terms of agreement with the lessee leading to softening of rentals as a result of shifting to a revenue sharing model as compared to charging fixed rental on area occupied basis is a key rating monitorable.

Impact of Covid-19 pandemic and gradual recovery post relaxations: Following to the order of government of India on lockdown against the spread of Covid-19 pandemic, mall was shut down on March 22, 2020 and was reopened on June 06, 2020 following the relaxations. Despite the resumption in operation of the Mall, footfalls have been significantly lower owing to various continuing restrictions imposed by the government. Consequently, during April and May 2020, the rental income, allied income and CAM income were largely nil; company has on selective basis has waived off the rent averaging to four months period for certain clients. Nevertheless, with phase wise opening of the Mall from June 06, 2020, the rent and other revenue generation has gradually improved and has achieved pre covid levels from the later part of Nov 2020.

Leveraged capital structure with weakened debt servicing indicators

The overall gearing of the company has significantly deteriorated from 3.41x as on March 31, 2019 to 8.15x as on March 31, 2020 on account of the additional top-up loan availed by the company. Company has availed term loan of Rs. 597 crore during FY20 which was partly utilised to pay of the existing loan and the balance amount of around Rs.408 crore has been invested in the group company in the form of Optionally fully convertible debentures OFCD carrying a coupon of 1%. Further, owing to the higher debt has resulted in interest costs outflow which has weakened the interest coverage to 1.54x during FY20 from 2.44x during FY19 and other debt coverage ratios.

Exposure to group companies

During FY20, company's exposure to its group company Writers and Publishers Pvt Ltd (WPPL) in the form of OFCD has further increased by Rs. 408 crore. Total exposure of the company towards its group entities stands at Rs. 457 crore of which Rs.452.22 crore are funds infused in Writers and Publishers Pvt Ltd in the form of OFCD. Writers and Publishers Pvt Ltd is engaged in trading of denim fabric and also has rental income from various properties (land and buildings). Any further exposure to the group companies going ahead is a key rating monitorable.

Liquidity: Adequate: During H1FY21, the temporary mismatch in cashflows due to Covid-19 induced lockdown disrupting the mall operations were addressed by availing moratorium on interest and principal payment obligations, which were provided by lenders under covid relief. Nevertheless, the adequate liquidity is witnessed with improving cash accruals on back of resumption of mall operations on full scale, company has met the entire repayment obligation for FY21 and has also made advance payment of the principal obligations for the period of June 2021 and Sep 2022 amounting to Rs. 12.60 crore. Additional comfort is derived from presence of free cash and bank balance of Rs 5.07 crore as on March 30, 2021.

Analytical approach: Standalone

Applicable criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology- Debt backed by LRD](#)

[Rating Methodology- Factoring Linkages in Ratings](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the company

D B Malls Private Limited (DBM) incorporated in June 2006, is a part of Dainik Bhaskar (DB) Group with the promoters holding 100% equity stake. DBM owns and operates DB City Mall, which is the first and biggest mall in the city of Bhopal (Madhya Pradesh, India) which started operations in August 2010. The mall has a total built-up area of 12.65 lakh square feet and leasable area of 8.67 lakh square feet spread across retail outlets, commercial offices and a five star hotel. The mall houses over 200 Indian and international brands/outlets and is located in the heart of the city and is well connected to the airport, railway station, etc and enjoys good adjoining infrastructure.

Brief Financials (Rs. crore)	FY19(A)	FY20 (A)
Total operating income	88.37	102.40
PBILDT	62.2	80.15
PAT	16.88	12.42
Overall gearing (times)	3.41	8.15
Interest coverage (times)	2.44	1.54

A: Audited; Note: Financials are classified as per CARE's internal standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Sep-2031	581.08	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	581.08	CARE BBB+; Stable	1)CARE BBB+; Negative (30-Apr-20)	1)CARE A-; Stable (02-Mar-20) 2)CARE A-; Stable (03-Apr-19)	-	1)CARE BBB; Stable (22-Mar-18) 2)CARE BBB; Stable (10-Apr-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure-4 Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact Us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

 Email ID – mradul.mishra@careratings.com
Analyst Contact

Group Head Name – Mr. Prasanna Krishnan

Group Head Contact no. - 040-67937421

 Group Head Email ID- prasanna.krishnana@careratings.com
Relationship Contact

Name: Mr. Ramesh Bob

Contact no. : +91 9052000521

 Email ID: ramesh.bob@careratings.com
About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**