

D. B. Malls Private Limited

March 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB+ (CWN) (Triple B Plus) (Under Credit watch with Negative Implications); Continues to be on Credit watch with Negative Implications and Withdrawn
Total Bank Facilities	-		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of '**CARE BBB+; (Under Credit Watch with Negative Implications)**' [Triple B Plus, Under Credit watch with Negative Implications] assigned to the bank facilities of D. B. Malls Private Limited (DBMPL) with immediate effect on the basis of No Objection Certificate from the lender.

CARE had placed the rating of D. B. Malls Private Limited on 'Credit watch with negative implications' following the disclosure made by DB Corp Limited (DBCL), the flagship company of the DB Group on the exchanges with regard to search conducted by the Income Tax Department (ITD) across various offices of the Group during July, 2021. As per the management of DBMPL, IT department has not come up with any demand/notice on the company till February 24, 2022.

The rating assigned to bank facilities of 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.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and Resourceful promoter Group

D B Malls Private Ltd. (DBMPL) is a part of the Dainik 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 (lsf) 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, CharImli 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 lsf and leasable area of 8.67 lsf 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 ~94% (~8.19 lsf) of the total leasable area of 8.67 lsf as on December, 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, Cinopolis, 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.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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 ~7% of the lease agreements is expected to expire and due for renewal in FY23. 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.

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. Further, for 9MFY22, DBMPL has rent collection of Rs.48 crore as against rent collection of Rs.34 crore for 9MFY21.

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 9.12x as on March 31, 2021 on account of increase in term loan as interest during moratorium is converted into Funded Interest Term Loan by the lender. Also, for FY21, the company has registered PAT loss on account of current tax paid by the company to the tune of Rs.8.75 crore. Consequently, overall gearing continues to deteriorate for the company.

Further, owing to the higher debt and lower profitability during FY21, debt coverage indicators deteriorated. For FY21, Term debt to PBILDT stood at 9.21x (PY: 7.27x) while interest coverage stood at 1.21x (PY: 1.54x).

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).

Liquidity: Adequate

As on February 24, 2022, DBMPL has cash and bank balance of Rs.1.86 crore. Further, the company has maintained advance in term loan account for scheduled repayments of March, 2022 and June, 2022. Hence, liquidity profile of the company remains adequate for near term.

Analytical approach: Standalone**Applicable Criteria**

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Rating methodology for Debt backed by lease rentals](#)

[Policy on Withdrawal of Ratings](#)

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)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	102.40	81.08	NA
PBILDT	80.15	63.49	NA
PAT	12.42	-7.36	NA
Overall gearing (times)	8.15	9.12	NA
Interest coverage (times)	1.54	1.21	NA

A: Audited, NA: Not available

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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	0.00	Withdrawn

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB+ (CWN) (02-Aug-21) 2)CARE BBB+; Stable (07-Apr-21)	1)CARE BBB+; Negative (30-Apr-20)	1)CARE A-; Stable (02-Mar-20) 2)CARE A-; Stable (03-Apr-19)	-

* Long Term / Short Term

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 instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

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