

North Delhi Metro Mall Private Limited

March 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	660.00	CARE BBB-; Negative	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The Negative outlook for the proposed bank facilities of North Delhi Metro Mall Private Limited (NDM) takes into account delay in tie up of the construction finance debt by the company which may lead to delay in project completion beyond the estimated completion timelines. However, NDM shareholders continue to fund the project construction from equity. The estimated project completion timeline has shifted from June 2024 to December 2024. While the current project execution has been funded entirely out of the promoters' contribution, the project progress has been lower than the envisaged due to various reasons such as operational issues caused due to COVID-19, hard rock strata of the site and ban on construction by Delhi state government for major portion of Q3FY23 etc. CARE Ratings Limited (CARE Ratings) will continue to monitor the debt tie-up status and further delay beyond reasonable timelines would weigh negatively on the company's credit profile.

Apart from high execution risk, the project is also exposed to marketing risks as timely completion without significant cost overruns and leasing of project are necessary as the CF debt is proposed to be paid out with LRD conversion. However, as per the business plan of NDM, leasing is generally done when the project is near completion. Considering the VR's long standing relationship with multiple reputed tenants across its portfolio, the marketing risk is mitigated to certain extent. CARE Ratings will continue to monitor the leasing progress.

Nevertheless, the rating continues to derive strength from experienced promoters in the Virtuous Retail (VR) group which has reasonable track record of constructing and operating retail and mixed-use development properties and Board control of NDM also lies with the VR group through its investment in the holding company Moribus Holdings Pte Limited. Also, the rating continues to positively factor in favorable location of the project with no organized retail mall in 10 kms radius and the proposed shortfall undertaking by Moribus Holdings Pte Limited for any cost overruns or shortfall in debt servicing.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The company's ability to complete the project within scheduled timelines and budgeted costs and tying up the required area which can facilitate conversion of CF loan to LRD.

Negative factors

- Delay in CF debt tie-up beyond August 2023 leading to lower-than-estimated project progress.
- Delay in completion of construction with cost/time over runs funded predominantly with debt.
- Lower-than-envisaged occupancy levels by the time of completion of construction.
- Absence of execution of shortfall undertaking from Moribus Holdings Pte Limited to fund cost overrun/ shortfall in debt servicing.

Analytical approach: Standalone. CARE Ratings also assumed support from Moribus Holdings Pte. Ltd (Moribus) would be forthcoming for timely funding for cost overrun and shortfall in debt servicing. Moribus is also proposing to provide shortfall undertaking to the lender in this regard.

Outlook: Negative

Negative outlook reflects the delay in tying up the construction finance (CF) loan by the company resulting in relatively slow project progress against the earlier estimated timelines. The outlook may be revised to Stable in case of satisfactory project progress in the near term and tie-up of the CF debt requirement.

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

Key strengths

Experienced promoters in the VR group having extensive experience in construction of retail properties in India and also turning around stressed assets: VR is a 16.6:83.4 joint venture (JV) between Xander and APG, a Dutch Pension Fund, having a portfolio of 4 msf (on total developable area basis- completed/ under-construction and upcoming) across various locations in India. VR's experience is not limited to private equity (PE) related activities but has also demonstrated experience in construction and leasing out of properties in Surat, Bengaluru and Chennai. VR Owns highest percentage of stake in NDM at 49% while the balance is held by MGF Automobiles Private Ltd and MGF Developments Ltd. As such, as per Shareholder agreement (SHA) higher voting rights of NDM lies with VR. Also, as per SHA, VR is obligated to fund the entire Project.

Favorable location of the project: The project is located in North Delhi which is an established residential vector which include Old Secretariat Complex (Vidhan Sabha) and Civil Lines Bungalow area of the colonial period and has the advantage of being in the proximity of Delhi University (North Campus). Excellent connectivity to other parts of New Delhi via the Ring Road, proximity to the Outer Ring Road and also accessibility via the yellow line of Delhi Metro makes the location one of the most attractive regions in Delhi. Also, there is no organized retail mall in the vicinity. Considering the same, post construction, VR Delhi mall is expected to have healthy occupancy levels with remunerative rentals.

Key weaknesses

High execution risk associated with project: The company is constructing around 9 lsf of project comprising of retail mall (at Site A) and mixed-use development (at Site B comprising of purpose-built student housing, flexible workspace, F&B and entertainment.). As of January 31, 2023, 25% of the construction cost has been incurred (21% as of December 31, 2021) which has been entirely funded from the promoters' contribution. In terms of physical progress, basement works have been completed for half of Site A and for the balance portion, two out of four basements are completed with works for the remaining basements are in process. For Site B, only excavation works are completed and the construction is expected to start by Mid of 2023. Considering the of early stage of the project, high execution risk persists. However, the same is mitigated to certain extent with the promoter i.e. VR having reasonable experience and track record of timely execution of projects.

Associated marketing risk regarding timely leasing out of space: The project is also faced with marketing risk pertaining to timely leasing out of property to potential tenants. NDM intends to repay the proposed construction finance loan of ₹660 crore by converting it into LRD. Hence, the company's ability to tie up the leases with reputed tenants at the rentals which can facilitate the conversion of CF debt into LRD within the proposed due date would be critical.

Liquidity: Adequate

The company's liquidity is strengthened by acquisition of stake by the VR group which has extensive experience in construction of retail mall and enhances its financial flexibility. Significant promoters' contribution has already been brought in. Nevertheless, timely sanction of debt is important to facilitate completion of project within envisaged timelines. The company had cash and bank balances of ₹14.70 crore as of December 31, 2022.

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](#)

[Project stage companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

NDM, incorporated on December 9, 2003 was floated as a special purpose vehicle (SPV) by the MGF Group for construction and maintenance of the project (shopping mall, multiplex, food court, other entertainment and support facilities) in Khyber Pass region in New Delhi on a land taken on lease from Delhi Metro Rail Corporation Ltd (DMRC) till October 2059. With inordinate delays in commencement of construction activity due to delays in tying the debt and receipt of approvals, during FY19, MAL sold 49% of the stake in NDM to Moribus Holdings Pte Limited (Moribus) which is part of Virtuous Retail (VR) group. The scope

of the projects was subsequently changed to construction of a retail mall and a mixed-use development property with purpose-built student housing, and a hotel.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	December 31, 2022 (Prov.)
Total operating income	0.00	0.00	0.00
PBILDT	-1.45	-0.94	-0.53
PAT	-1.84	-0.94	-0.53
Overall gearing (times)	3.69	4.35	5.56
Interest coverage (times)	NM	NM	NM

A: Audited; Prov.: Provisional; NM: Not meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	660.00	CARE BBB-; Negative

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	660.00	CARE BBB-; Negative	-	1)CARE BBB-; Negative (25-Mar-22)	1)CARE BBB-; Stable (30-Mar-21)	-

LT: Long term.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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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About us:

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