January 18, 2021

ELPIS Ventures Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	700.0	700.0	[ICRA]BB (Stable); reaffirmed
Total	**700.0**	**700.0**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation factors in the favourable location of the mall being developed by ELPIS Ventures Private Limited (EVPL) on the Eastern Expressway Highway, which connects Thane to eastern suburbs and central Mumbai. The rating considers the track record of VR Group in successful construction and operation of retail malls in India and its established brand image. The rating also reflects the flexible terms of the non-convertible debenture (NCD), wherein there is no fixed interest payment or principal repayment obligation during the tenure of the NCDs. The interest on the NCD will accrue every year; however, the payment will be made based on the surplus cash flows available with the company, after meeting the operating expenses and the repayment obligations on the senior bank debt.

The rating is, however, constrained by EVPL's exposure to execution risk as the mall is in the nascent stage of development. The company has acquired the land and the key approvals required for construction are in advanced stage. With 1.16 million square feet (mn sqft) area to be leased, the market risk remains high for the project. Cash flows available for debt servicing will depend not only on the timely completion and successful leasing of the property, but also on the company's ability to maintain high occupancy levels. The company has recently availed bridge financing facility of Rs. 220 crore, which will be rolled over into a construction finance loan to part fund the pending costs. Any delay in construction could adversely impact the company's cash flow position and refinancing of the construction finance loan.

The Stable outlook reflects ICRA expectation that EVPL will continue to benefit from the operational track record of the sponsor, which operates six retail malls in India as on date.

Key rating drivers and their description

Credit strengths

Attractive catchment area - The project site is located on Eastern Expressway Highway, which connects Thane to eastern suburbs and central Mumbai. Thane has become an upmarket residential destination and it enjoys good social infrastructure facilities with presence of recreational centres, schools and colleges within approachable limits. Also, it is well connected to major locations in the city via road and railway networks.

Strong sponsor and management - EVPL is a subsidiary of Moribus Holding Pte Limited, which in turn, is 100% held by Virtuous Retail South Asia (VRSA). VRSA is a 23:77 JV between Xander (through Virtuous Retail Pte Limited) and APG Asset Management, a Dutch Pension Fund. The Group, at present, operates six retail malls in India with a total leasable area of over 4 mn sqft. ICRA derives comfort from the track record of the Virtuous Retail in successful construction and

operation of retail malls in India— VR Surat (operational since May 2013), VR Bangalore (October 2015), VR Punjab (May 2017) and VR Chennai (June 2018), VR Nagpur (August 2019) and VR Amritsar(January 2020).

Flexible terms of NCD Issue - There is no fixed interest payment or principal repayment obligation during the tenure of the NCDs. Interest will accrue every year; however, from April 1, 2024, it will be accumulated, and the payment will be made based on the surplus cash flow available with EVPL after meeting the construction and other operating expenses including repayment obligation on the senior bank debt. Any excess after-interest payment may be used to prepay a portion of the principal, while the remaining principal repayment will be at the end of the 25-year tenure of the NCDs.

Credit challenges

Exposure to implementation risk given nascent stage of development – At present, the land is acquired and approvals for commencement of construction are yet to be obtained. The construction of the mall is expected to start subsequently and is likely to get over by FY2024. As the project remains exposed to high execution risk, any delay or cost overruns may affect the project returns and debt servicing ability. The market risk also remains high, given the large size of the project—a leasable area of 1.16 mn sqft. The company may also undertake further development, apart from the 1.16 mn sqft retail development; however, the plans for the same are yet to be finalised.

Funding and refinancing risk – The land cost was funded by the issue of the NCD of Rs. 651 crore and equity. The company has recently availed bridge financing facility of Rs. 220 crore which will be rolled over into a construction finance facility of over Rs. 600 crore post receipt of approvals. The construction finance facility is expected to have a bullet repayment in FY2025, which exposes the company to refinancing risk. Any delay in construction or leasing of the development could adversely impact the company's cash flow position and its ability to refinance the construction loan.

Liquidity position: Adequate

The land cost has been funded through NCD issued to the promoter group and equity. The construction cost is expected to be majorly funded through a construction finance loan, which will be refinanced with a lease rental discounting loan post commercialisation of the mall. The balance NCDs will be issued and balance equity commitment for the project will be brought in as per the needs of the project and in line with the conditions of the debt financing. Furthermore, the absence of any fixed redemption schedule for the NCDs and its long tenure add flexibility to the cash flow management.

Rating sensitivities

Positive triggers – The rating may be upgraded if the company completes the construction within expected timelines and is able to achieve substantial leasing which will support ability to refinance the construction finance proposed to be availed.

Negative triggers – Conversely, the rating may be downgraded if there is any delay in completion of the mall or leasing, thereby adversely affecting EVPL's cash flows and liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on standalone profile of the rated entity.

About the company

EVPL is a subsidiary of Moribus Holding Pte Limited, which in turn, is 100% held by Virtuous Retail South Asia (VRSA). VRSA is a 23:77 JV between the Xander Group (through Virtuous Retail Pte Limited) and APG, a Dutch Pension Fund. The Group, at present, operates six retail malls in India, with a total leasable area of over 4 mn sqft. The Xander Group is a leading institutional investment firm focused on long-term value investing in companies that operate in infrastructure, hospitality, entertainment, retail and real estate sectors. The Group has plans to construct additional retail malls in near to medium term.

EVPL was incorporated in May 2019 and has acquired a land parcel in Thane, Mumbai, for construction of a mall with a leasable area of 1.16 mn sqft. The project site is located on the Eastern Expressway Highway, which connects Thane to eastern suburbs and central Mumbai. The company is expected to start commercial operations of the mall in FY2025.

Key financial indicators (audited)

	FY2019	FY2020
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-	-0.21
OPBDIT/OI (%)	-	-
PAT/OI (%)	-	-
Total Outside Liabilities/Tangible Net Worth (times)	-	11.40
Total Debt/OPBDIT (times)	-	N.M.
Interest Coverage (times)	-	-1.22

N.M.-Not material; The company was incorporated in May 2019.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2018	FY2017
					Jan-18-2021	Nov-4-2019	-	-
1	NCD	Long Term	700.0	651.0	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website click here

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0BBX08013	NCD	Nov-2019	13%*	Nov-2044	651.0	[ICRA]BB (Stable)
NA	Proposed NCD	-	-	-	49.0	[ICRA]BB (Stable)

Source: ELPIS Ventures Private Limited

**till Mar-31-2024 and 15% from Apr-1-2024*

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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