

Press Release

Lifeline Multi Ventures Private Limited

December 27, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	35.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Total	35.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Lifeline Multi Ventures Private Limited (LMVPL) derive comfort from the experienced promoters having established presence in real estate business in Bhubaneshwar, favourable location of the shopping mall and high occupancy levels with marque clientele. The rating further factors in the long term lease arrangements varying between 6-20 years for majority of clients thereby ensuring stable rentals. However, the rating strengths are partially offset by its short track record, execution and funding risk associated with the hotel under construction.

Key Rating Sensitivities

- Upward Rating Factor- Timely receipt of the lease rentals leading to higher growth in operating income and cash accruals thereby improving the overall credit metrics could lead to an upgrade of LMVPL. Further, commencement of operation of the hotel without any significant delay and healthy occupancy levels could also lead to a positive rating action.
- Downward Rating Factor- Significant delay in completion of the hotel may result in cost and time overrun of the project thereby could lead to a negative outlook.



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List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters with long track record in real estate business

LMVPL, a Bhubaneswar based private limited company was incorporated on 1989. The company in 2009 was taken over by the current management comprising of Mr. Jagadish Prasad Naik, Ms. Ratnamala Swain and Mr. Shyam Sundar Padhy who have extensive experience in real estate business. LMVPL is a subsidiary of D.N. Homes Private Limited engaged in real estate development in Bhubaneswar since last two decades. The long track record of the promoters in the real estate industry and established brand value of DN Homes in the Bhubaneswar market, should continue to support the positive brand recall.

Prime location of the shopping mall cum multiplex

Located at Patrapara “DN Regalia” is an integrated complex having mall, multiplex, hotel, restaurant and is well connected with the rest of the city. The mall is within 15 minutes’ drive from Biju Patnaik International Airport in Bhubaneswar. The mall is strategically located to the southern part of Bhubaneswar where major development is taking place in the commercial space. Further, the city has an established list of educational institutes list AIIMS, IIT, NISER thereby attracting the shopping centre offering a lively mix of shopping, food and entertainment brands. The mall started operations in March’2019 and currently is generating average footfall of 9000-10000 people per day which is likely to increase going forward owing to its prime location and presence of established brand under one roof.

High occupancy levels with marquee tenants

DN Regalia, which has 0.6 million sq ft of leasable area, is favorably located on Patrapara, Bhubaneswar, a commercial hub with good connectivity and social infrastructure. The mall commenced operations in March’2019 and during the last 7 months occupancy levels of the mall have consistently remained high at over 95%. In addition, the tenant profile constitutes marquee names such as Future Group, Pantaloons, and Blackberry, Samsonite, Manyavar, Subway, Domino’s, Jawad Habib etc., which are present across various sectors, mitigating sectoral-concentration risks to an extent. Infomerics also notes that majority of the tenant have long term agreement which ranges from 6-20 years with a minimum lock-in period of



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1.5-3 years. Such an arrangement ensures a stable revenue stream to LMVPL, thereby restricting revenue volatility.

Key Rating Weaknesses

Nascent stage of operations

Due to nascent stage of operations the company has small scale and short track record - with operations commencing from March 2019. The company has achieved an operating income of ~Rs 10 crore for the six month ended September'19

Exposure to execution and funding risk related to the hotel under construction

Beside the mall a 5 star hotel is also under construction, which would be managed by India Hotels Company Limited (IHCL) under the brand Vivanta by Taj. The agreement has already been executed with IHCL for a period of 29 years. The construction of the hotel is in advance stage with ~90 % of civil construction almost completed. The interior decoration and furniture and fittings are pending to be completed. Further, the project remain exposed to the funding risk with ~ Rs.35 crore still to be funded to complete the project. Infomerics notes that the term loan sanctioned for the project has already been fully utilised. Thus in order to complete the project, the company has to depend on internal accruals and resource mobilisation capability of the promoters. Any delay in arrangement of resources may result in cost and time overrun of the project.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Real Estate Companies

Financial Ratios and Interpretation (Non-financial sector)

Liquidity: Adequate

The DSCR is expected to remain moderate in the short term though the same is expected to be funded by increase in lease rentals and unsecured loans arranged by the promoters. However, the, the same will stabilise over the period, when the debt reduces. The company expects higher cash accruals in the projected period to meet its debt obligations from successful operation of the mall and hotel and the overall cash flow position is expected to be adequate.

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About the Company

LMVPL, a Bhubaneswar based private limited company was incorporated on 1989. The company also remained dormant for 10 years and later in 2009, this was taken over by the current management comprising of Mr. Jagadish Prasad Naik, Ms Ratnamala Swain and Mr. Shyam Sundar Padhy who have extensive experience in real estate business. The company is a subsidiary of D.N. Homes Private which is engaged in real estate development in Bhubaneswar since last two decades. Currently, LMVPL has developed a commercial project in Bhubaneswar consisting of shopping mall, multiplex, hotel and restaurant under one roof as “DN Regalia”. DN Regalia is an integrated complex having mall, multiplex, hotel, restaurant within 15 minutes’ drive from Biju Patnaik International Airport in Bhubaneswar. D.N. regalia is a mixed use project with shopping mall and a 5-star hotel. It has INOX multiplex having 4 LED screens with a total seating capacity of 800 people. The mall was inaugurated on December, 2018 and the operations commenced from March’2019.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	0.05	1.24
EBITDA	0.03	0.92
PAT	0.03	0.22
Total Debt	29.41	34.13
Tangible Net worth	6.88	7.10
EBITDA Margin (%)	52.11	74.22
PAT Margin (%)	50.38	17.89
Overall Gearing Ratio (x)	0.77	0.49

*Classification as per Infomerics’ standards.

Status of non-cooperation with previous CRA: N.A

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17



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1.	Long Term Bank Facilities –Term Loan	Long Term	35.00	IVR BBB- / Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Dec'2025	35.00	IVR BBB- /Stable