Lifeline Multi Ventures Private Limited

March 26, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long term bank facilities – Lease Rental Discounting (LRD) Loan	55.00	IVR BBB Under credit watch with negative implications (IVR Triple B under credit watch with negative implications)	Assigned
2.	Long term bank facilities - Term Loan	45.00 (Enhanced from 35.00)	IVR BBB- Under credit watch with negative implications (IVR Triple B Minus under credit watch with negative implications)	Re-affirmed Under Credit watch with negative implications
	Total	**100.00 (Rupees One hundred crore only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment and reaffirmation of ratings to the bank facilities of Lifeline Multi Ventures Private Limited (LMVPL) derive comfort from its experienced promoters with long track record of operations in real estate business, continuous support from the parent company and locational advantage attributable to presence of the shopping mall cum multiplex and hotel in prime location in southern part of Bhubaneshwar. The ratings are also underpinned by long term agreement with The Indian hotels for managing hotel operations, high occupancy level in shopping mall with marquee tenants, and presence of escrow mechanism with stable cash flow from shopping mall segment backed by long term lease arrangements varying between 6-20 years for majority of clients along with maintenance of Debt Service Reserve Account (DSRA). These rating strengths are however constrained by exposure to stabilisation risk related to hotel business, relatively small scale of operations of the company and exposure to cyclicality in the real estate market. Further, the ratings also note cost overrun in the hotel project with change in project funding pattern. Infomerics expects the company's operating as well as financial performance to remain under pressure because of the weak macro-economic environment due to COVID impact in H1FY21. The demand recovery is likely to be gradual. The ratings remain under credit watch with negative implications owing to uncertainty in the operating scenario due to possible second wave of COVID. Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Key Rating Sensitivities:

Upward Factors:

- Timely receipt of the lease rentals and successful ramp up of hotel business leading to higher growth in operating income and cash accruals on a sustained basis

Downward factor:

- Significant delay in stabilisation of hotel thereby putting pressure on liquidity
- Vacancy in leased space and inability of the company to renew the agreement and/or find alternative tenant at similar rental rates
- Moderation in the capital structure and/or deterioration in debt protection metrics on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long track record in real estate business**
  Lifeline Multiventures Private Limited (LMVPL), an Odisha 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. The company is subsidiary of D.N. Homes Private Limited (rated: IVR BBB-/Stable) engaged in real estate development in Bhubaneshwar since last two decades. The decade-long experience of the promoters in the real estate industry, and established brand value of DN Homes in the Bhubaneswar market, should help the group market its project efficiently.
- **Support from the parent company**

DN Homes Pvt Ltd holds 71.90% stake in LMVPL. Given the established position of the parent company in the real estate market in Bhubaneshwar and the financial support extended by the parent company in the form of unsecured loan to the tune of Rs 11.32 crore as on 31st March'20 supports resource mobilisation ability of LMVPL. Further, the bank facilities of LMVPL are also backed by corporate guarantee from DN Homes Pvt Ltd. Infomerics expects that the support from the resourceful parent will continue to support LMVPL going forward.

- **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 Bhubaneshwar. The mall is strategically located to the southern part of Bhubaneshwar 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 ~10000 people per day 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, Bhubaneshwar, a commercial hub with good connectivity and social infrastructure. The asset is amongst the most premium developments in the area, with high quality specifications which enhances its market position. The mall has started in March'2019 and currently witnessing good occupancy level of above 90%. 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 1.5-3 years.

- **Stable cash flow from Mall segment; Escrow mechanism**

  DN Regalia, which commenced operation in March'2019, currently witnessing good occupancy level and houses some reputed brands like Reliance Trends, Big Bazaar, Samsung, Arrow etc. which is expected to attract customer footfall in the mall. The company is having an assured lease rentals of around Rs1.02 crore per month from the lease agreements already entered. LMVPL has availed Lease Rental Discounting (LRD) facility against rent receivables from the mall “DN Regalia”. The terms of the LRD facility require that the lease rent receivables from all the tenants of commercial building namely “DN Regalia” be routed directly to an Escrow Account set up specifically for the repayment of the said LRD facility. The company is also maintaining a DSRA of 2.28 Cr.

Key Rating Weaknesses

- **Change in project funding mix; cost overrun**
  Initially, the project (hotel and mall) was expected to be majorly funded by promoters. However, LMVPL resorted to more debt funding for the project than it envisaged earlier. There was change in debt/equity funding mix from 1:4 to 1.11:1. Moreover, project cost also overrun by Rs. 22 crore due to underestimation of original cost and modification in interiors.

- **Exposure to stabilisation risk related to hotel business**
  The company has successfully completed the construction of its 4-star hotel, however its full-fledged operations are yet to start and thus exposed to stabilisation risks.

- **Risk of cyclicality in the real estate market**
  Cyclicality in the real estate segment could lead to fluctuations in the valuation of the property itself and, in turn, affect the future lease rentals. Moreover, hospitality industry also remains vulnerable to general economic slowdown and exogenous shocks such as geo-political crisis, terrorist attacks, disease outbreak etc. This may impact the debt servicing ability of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate marked by its sufficient cushion in accruals vis -a-vis its debt repayment obligations. Its gross cash accruals are expected to improve on the back of commencement of full-fledged operations of hotel from FY2021-22. The lease rental from mall is sufficient to meet its debt obligations under LRD. Moreover, the LRD facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Fund of Rs. 2.28 crore.

About the Company

Odisha based Lifeline Multi Ventures Private Limited (LMVPL), 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 Limited (IVR BBB-/Stable), which is engaged in real estate development in Bhubaneshwar since last two decades. LMVPL has developed a commercial project in Bhubaneshwar consisting of shopping mall, multiplex, hotel and restaurant under one roof as “DN Regalia”. D.N. regalia is a mixed use project with shopping mall with multiplex and a 4-star hotel. It has INOX multiplex having 4 LED screens equipped with ATOM sounds and with a total seating capacity of 800 people. The operations of the mall started from February/ March’2019 where as LMVPL has also successfully completed construction of a 4 star hotel and its operations have started from March 2021, which would be managed by The Indian Hotels Company Limited under the brand ‘Vivanta by Taj’. It has 136 rooms with three banquets & one terrace garden and three restaurants.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	**31-03-2019**	**31-03-2020**
	Audited	**Audited**
Total Operating Income	1.24	19.52
EBITDA	0.92	11.87
PAT	0.22	2.33
Total Debt*	34.13	49.78
Tangible Net worth*	69.66	81.44
EBITDA Margin (%)	74.22	60.80
PAT Margin (%)	17.89	11.95

For the year ended* / As On	31-03-2019	31-03-2020
Overall Gearing Ratio (x)*	0.49	0.61

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: India Ratings has moved LMVPL to Issuer Not Cooperating Vide Press Release dated April 23, 2020 due to non-submission of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	45	IVR BBB- Under credit watch with negative implications	IVR BBB-/Stable (Dec 27, 2019)	-	-
2.	LRD	Long Term	55	IVR BBB Under credit watch with negative implications	-	-	-

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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	-	-	December 2029	45	IVR BBB- Under credit watch with negative implications
LRD	-	-	December 2029	55	IVR BBB Under credit watch with negative implications

Annexure 2: Facility wise lender details (Hyperlink to be added)

https://www.infomerics.com/admin/prfiles/Lender-Lifeline-Multi-Ventures-Private-Limited-.pdf