

Mangadan Property Management LLP

July 4, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	80.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale & key rating drivers

The rating assigned to the bank facilities of Mangadan Property Management LLP (MPM) is primarily constrained by project implementation risk associated with the ongoing project, pending financial tie-up, constitution of the entity as a limited liability partnership firm, and risk associated with cyclical nature of real estate industry.

These rating weaknesses are however partially offset by resourceful and experienced partners with established track record in construction sector, favourable location of the project, and tie-up with a reputed edtech company to lease out the asset post completion.

Rating sensitivities: Factors likely to lead to rating actions.

Positive Factors

- Closure of financial tie-up for the project along with approval of sanction plan and sufficient progress in the project execution

Negative Factors

- Inability of the firm in tying up term debt with banks/financial institution.
- Any significant delay in execution of the project resulting in time and cost overrun.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the firm will benefit from the experience of the partners to complete the project in time.

Detailed description of the key rating drivers

Key weaknesses

Project implementation risk being nascent stage for the ongoing project

The firm is constructing multiple educational facilities as a part of a residential campus having built up-area of 6.54 lakh square feet (lsf) in Calicut, Kerala. The cost of construction is ₹120 crore proposed to be funded through term loan of ₹80 crore and promoters' contribution of ₹40 crore. Out of total project cost of ₹120 crore, the firm has incurred ₹1.75 crore as of May 31, 2024, funded through promoters' contribution. The construction of the residential campus is scheduled to be completed by March 2025. Given the nascent stages of implementation of the project, firm remains exposed to implementation risk and subsequent stabilisation.

Pending financial tie-up

The financial tie-up is pending. However, the firm is in talks with the lenders for sanction of term loan of ₹80 crore for the project.

Constitution as a limited liability partnership firm with inherent risk of withdrawal of capital

MPM's credit risk profile is constrained by its partnership constitution wherein there is an inherent risk of withdrawal of the capital which may affect its financial flexibility in the eventuality of occurrence of such event. Further, any substantial withdrawals from capital account would impact the net worth and thereby the financial profile of the firm.

Risk associated with cyclical nature of real estate industry

Life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. The real estate sector in India is highly fragmented with many regional players, who have significant presence in their respective local markets which in turn leads to intense competition within the industry. This sector is also sensitive to the macroeconomic cycle and interest rates. Adverse movement in interest rate affects the real estate players in both ways – by hampering demand as well as increasing the cost of construction.

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

Key strengths

Experienced and resourceful promoter group

MPM is a part of Mangadan Group. The group, founded in 1982 by Kunhimohamed M P started out in construction and later pivoted to distribution of tiles (wholesale & retail) through its flagship firm, Mangadan Floorings. While the current project, is the first under the banner of MPM, the group through its presence in the value chain in the construction sector has a wealth of experience and the required expertise & technical knowledge which mitigates the execution risk to an extent. The promoter is ably assisted by his sons and next gen entrepreneurs, Mohammed Kutty and Aboobacker M P. The promoters are also resourceful with a healthy net worth which further strengthens the financial profile of the group.

Favourable location of residential campus

The education facilities are being constructed in Calicut. Calicut is considered as the educational hub of Kerala and is home to two of the premier educational institutions of the country, Indian Institute of Management, Kozhikode (IIM-K) & National Institute of Technology Kozhikode as well as numerous other educational institutions of repute. The campus has a total built up area of 6.54 lsf spread across 3.97 acres of land and can accommodate approximately up to 6,000 students.

Tie up with a reputed Edtech company for leasing out the facilities.

MPM is in final stages of signing an agreement to lease with one of the reputed and fast growing edtech company in the Kerala region for leasing out 100% of the under-construction facilities. The term sheet has already been signed and MOU is expected to be signed by July 31, 2024. The monthly rental will start from June 2025 (post rent-free period of 60 days from handover i.e. March 2025). The lease term will be 20 years with lock-in period of 10 years, and a rental escalation clause of 15% every three years.

Liquidity: Stretched

MPM's liquidity profile is stretched due to pending financial tie up of term loan and considering the nascent stage of the project, the overall liquidity position is stretched. However, the firm is in talks with the bank for sanctioning of TL of ₹80 crore. Out of expected promoter's contribution of ₹40 crore, the partners have infused ₹1.75 crore till May 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Project stage companies](#)

[Rating methodology for Real estate sector](#)

About the entity and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in 2023, MPM is engaged in real estate development and commercial leasing. The firm is promoted by designated partners Kunhimohamed M P, Mohammed Kutty and Aboobacker M P. The firm is currently undertaking construction of multiple educational facilities in Calicut, Kerala. The under-construction facilities are spread across 3.97 acres having total built-up area of 6.54 lsf. The total cost of the project is ₹120 crore to be funded through term loan of ₹80 crore and promoters' contribution of ₹40 crore. Expected date of completion is March 2025.

Brief Financials: Not applicable since firm is in project stage

Status of non-cooperation with previous CRA: Nil

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 covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	80.00	CARE BB-; Stable

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	80.00	CARE BB-; Stable				

*LT: Long term

Annexure-3: Detailed explanation of 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-Long Term	Simple

Annexure-5: Lender detailsTo 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.

Contact us

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About us:

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