Mana Projects Private Limited

October 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	242.42	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to bank facilities of Mana Projects Private Limited (MPPL) factors in its long and established track record in residential real estate sector in Bengaluru helping it in building its 'Mana' brand name in the city. Over the years, the company has been able to complete projects within scheduled timelines and been able to maintain adequate sales velocity and collections, keeping lower reliance on debt to execute projects. CARE Ratings Limited (CARE Ratings) takes note of change in the group's strategy from developing couple of projects at a time to executing 5-6 projects at a time. Such a move will enable the company to offer more product portfolio to customers but would also expose the company to enhanced execution and marketing risk. The company also has sizeable upcoming projects that are being planned to be launched in next 18-24 months. MPPL's ability to timely execute these projects while maintaining unsold inventory and debt at satisfactory level would be a key rating monitorable. Ratings are also constrained by project level related issues pertaining to Mana Jardin Neo and Mana Verdant which are being sorted out. Inherent risks like concentration risk and cyclicality associated with real estate industry also tempers the rating.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- To maintain unsold inventory levels below 12 months in all projects while improving collections of more than ₹400 crore p.a.

Negative factors

- Delay in project execution of ongoing/ upcoming projects or slowdown in sales velocity leading to unsold inventory beyond 2.5 years
- Increasing reliance on debt to fund more than 30% of total project cost via debt or debt/ collections increasing beyond 1.5x.

Analytical approach:

CARE Ratings has combined project cashflows being undertaken in MPPL and in its group companies, including Mana Promoters LLP, Mana Constructions LLP and Neobuild Ventures LLP. In these companies, MPPL and its promoters hold majority stake and projects are launched in Mana brand. Furthermore, MPPL is also the co-borrower to the debt availed by the above group companies.

Outlook: Stable

Stable outlook reflects CARE Ratings' expectations that the company would be able to maintain its satisfactory credit profile underpinned by the brand's market recognition and the company's strategic measures to sustain sales momentum.

Detailed description of key rating drivers:

Key strengths

Long track record of operations

MPPL led by promoter D Kishore Reddy has over two decades of track record of operations in the residential real estate segment and delivered 23 projects with saleable area of 34.98 lakh square feet (lsf) with all projects being in Bengaluru. The company maintained its track record of on-time delivery of projects and no complaints have been found on Karnataka's Real Estate Regulatory Authority (RERA) website.

Satisfactory sales progress and lower reliance on debt levels

The company has been selling its project under 'Mana' brand name, which has reasonable brand recall in Bengaluru. This helped the company in maintaining good sales velocity. Apart from Mana Jardin Neo and Mana Verdant, all other projects have unsold

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

inventory level of less than a year with no unsold inventory in completed projects. Due to its better sales velocity and collections, the company's reliance on debt to complete the project has been lower at ~20%. While the company is actively addressing issues of Jardin Neo and Verdant, its ability to improve the sales velocity in these projects as well as to maintain satisfactory sales in upcoming projects would be critical to continue to maintain lower reliance on debt levels.

Key weaknesses

Execution risk associated with projects

Earlier, the group used to execute only couple of projects at a time but in the past 1.5-2 years, it has launched multiple projects. The recent strategic expansion to execute multiple projects simultaneously, increasing the total construction area to 38.42 lasf, marks a forward-looking approach to meet diverse customer needs. However, the same has enhanced inherent execution and marketing risks associated with the projects. As against 34.98 lsf of projects executed in the past, the company is currently executing projects involving construction of 38.42 lsf and has upcoming projects with area of 24.73lsf. Nevertheless, CARE Ratings takes note of the company's appointing external agencies for project execution and marketing which would mitigate the above risks to a certain extent.

Project specific issues

Mana Jardin Neo and Mana Verdant encountered specific challenges, such as soil-related complications and awaiting approval on modified project plans, respectively. The company has already resumed construction at Jardin Neo after resolving soil issues. Timely receipt of modified approval is essential for Verdant project. As such, the company has sufficient timelines to complete these projects.

High concentration in Bengaluru residential market and exposure to inherent cyclicality in real-estate industry

MPPL's business significantly depends on the performance of real-estate market, primarily in Bengaluru, where its entire ongoing and upcoming projects are located. Being a cyclical industry, real estate depends on macro-economic factors and the group's dependence on a particular geography further heightens such risk.

Liquidity: Adequate

The company's liquidity is supported by satisfactory sales velocity and collection run rate, keeping limited reliance on debt level. As on June 30, 2024, the company has balance cost to incur of ₹1194 crore covered by customer receivable of ₹733 crore and undrawn debt lines of ₹161 crore. Moreover, the company also had cash and cash equivalents of ₹26.7 crore as on September 30, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Consolidation
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

MPPL is Bengaluru-based real-estate developer with a track record of over two decades in the residential real estate. It is promoted by D Kishore Reddy and his family. The group has completed 34.98 lsf of residential projects executed in the past, and is currently executing projects involving total saleable of 28.74lsf.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	125.34	121.14
PBILDT	15.99	22.83
PAT	8.32	14.47
Overall gearing (times)	0.35	1.13
Interest coverage (times)	7.01	2.37

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:
Not applicable

Any other information:
Not applicable.

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	15.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	November 30, 2028	227.42	CARE BBB; Stable

Annexure-2: Rating history for 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 - LT-Term Loan	LT	227.42	CARE BBB; Stable				
2	Fund-based - LT-Bank Overdraft	LT	15.00	CARE BBB; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities:

Not applicable

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80-4662 5555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Himanshu Jain Associate Director **CARE Ratings Limited** Phone: +91-80-4662 5528 E-mail: himanshu.jain@careedge.in Sourav Dalan Analyst **CARE Ratings Limited** E-mail: Sourav.dalan@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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