

September 6, 2013

**CARE ASSIGNS 'CARE BB+' RATING TO THE BANK FACILITIES OF
MANI SQUARE LTD**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	130	CARE BB+ (Double B Plus)	Assigned
Total	130		

Rating Rationale

The rating of the bank facilities of Mani Square Ltd (MSL) is constrained by the company's moderate financial risk profile marked by high debt levels in the form of high cost inter-corporate deposits (ICDs; repayable on demand), risk of implementation of the ongoing projects, significant exposure in the group companies, risk of non-renewal of lease agreements after lock-in-period, increasing competition with a plethora of the ongoing projects in and around Kolkata, dependence on the retail and real-estate sector, which, in turn, is dependent on macro-economic factors.

The rating weakness is partially offset by the experience and successful track record of the promoter in the real estate sector, improvement in the liquidity profile due to recasting of the lease rental discounting (LRD) loans leading to lower debt obligation vis-a-vis lease rentals, completion of three major projects – Manikala, Manisri and Shiromani during FY13 (refers to the period April 01 to March 31) and satisfactory advancement of the Swarnamani Project.

The ability of the company to complete the Swarnamani project on time and at the estimated cost as well as ensure off-take of balance inventory as per the envisaged timelines shall be the key rating sensitivities.

Background

Mani Square Ltd (MSL), part of the Kolkata-based Mani Group, is engaged in the construction, development and maintenance of commercial, retail as well as residential real estate. It owns and manages Mani Square Mall, which is a 730,000 square feet retail mall in Kolkata. Opened to public in June 2008, the mall comprises retail shops, a multiplex, a number of restaurants, food court and a gaming zone. The mall space is offered on rent for varying period, ranging between three to nine years, with a rent escalation clause of 12%-15% after every three years. This apart, the company also has arrangements with certain tenants, whereby a fixed commission on net sales or fixed monthly rent, whichever is higher, is charged on a monthly basis. Over the last four years, the mall has enjoyed high occupancy levels (around 90%) and houses some of the leading national and international brands. Besides, the company has recently completed three major projects (Shiromani, Mainkala, Manisri) in prime locations in Kolkata.

The Mani group, promoted by Mr Sanjay Jhunjunwala in 1980, is a well-known Kolkata-based real estate group with over 40 completed projects comprising of both residential and commercial projects, mostly in Kolkata, under various companies.

In FY12, MSL achieved a PBILDT of Rs.79.1 crore (Rs.71.4 crore in FY11) and PAT of Rs.11.8 crore (Rs.18.2 crore in FY11) on a total operating income of Rs.102.4 crore (Rs.89.1 crore in FY11).

As per the provisional results for FY13, the company achieved a PBILDT of Rs.75.3 crore and PAT of Rs.13.9 crore on a total operating income of Rs.204.7 crore.

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¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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