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**CARE REVISES THE RATING FROM CARE BB+ TO CARE BBB- (SO) FOR THE LEASE RENTAL DISCOUNTING (LRD) LOAN AND REAFFIRMS/ ASSIGNS CARE BB+ RATING TO THE OTHER BANK FACILITIES OF MANI SQUARE LTD.**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities – Term Loan – Lease Rental Discounting (LRD) *	210.00	<b>CARE BBB- (SO) [Triple B Minus (Structured Obligation)]</b>	Revised from CARE BB+ (Double B Plus)
Long-term Bank Facilities – Fund Based	394.94 (enhanced from 210.94)	<b>CARE BB+ (Double B Plus)</b>	Reaffirmed
Long-term Bank Facilities – Non-Fund Based	10.00	<b>CARE BB+ (Double B Plus)</b>	Assigned
<b>Total Facilities</b>	<b>614.94</b>		

\*the LRD loan is being operated through a structured payment mechanism wherein repayment of principal and payment of interest, is being made out of an designated account which is funded from lease rentals being received from tenants of Mani Square Mall (for part area of 3.21 lakh sq. ft.) and Commercial Area (0.3 lakh sq. ft.).

**Rating Rationale**

The revision in rating for the Lease Rental Discounting (LRD) Term Loan takes into account the implementation of a structured payment mechanism wherein debt servicing of the loan is being made out of a designated account wherein the rentals received from the lessees of Mani square mall are being deposited. The funds in the designated account are prioritized for the servicing of the said loan and surplus, if any, is used for the other operations of the company. The rating also takes into account high occupancy of the mall along with increase in lease rentals over the last three years.

The rating for other bank facilities continue to be constrained by the company's moderate financial risk profile marked by high debt levels in the form of high cost inter-corporate deposits (ICDs), risk of implementation of ongoing projects, significant exposure in group companies, increasing competition with plethora of 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 experience and successful track record of the promoter in real estate sector and satisfactory advancement of Swarnamani Project.

Ability of the company to complete the Swarnmani project and other on-going projects on time and at the estimated cost as well as ensure the off-take of balance inventory as per envisaged timelines shall be the key rating sensitivity. Further the ability of the company to ensure high occupancy levels in its mall at envisaged rates would also be a key rating sensitivity.

**Background**

Mani Square Ltd. (MSL), part of the Kolkata-based Mani Group promoted by Mr. Sanjay Jhunjhunwala, 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 7.3 lac square feet retail mall in Kolkata. Over the last three years, the mall has enjoyed high occupancy levels (around 95%) and houses some of the leading national and international brands. Besides, the company has recently completed four major residential projects (Tirumani, Shiromani, Maikala, Manisri) in prime locations in Kolkata. This apart, the other major residential project in hand – Swarnmani, is expected to be completed by H1FY16.

The company had availed LRD loans Rs.160.0 crore from ICICI Bank which has been taken over by Axis Bank for Rs.210.0 crore, with a ballooning repayment schedule. The LRD structure is such that the repayment of principal and payment of interest, shall be made out of a Designated Account being funded from lease rentals being received from the tenants of Mani square mall (for part area of 3.21 lakh sq ft), and commercial area (0.3 lsf). The funds in the designated account are prioritized for the servicing of the said loan and surplus if any is used for the other operations of the company.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

In FY14 MSL has achieved PBILDT of Rs.67.6 crore (Rs.73.9 crore in FY13) and PAT of Rs.4.9 crore (Rs.1.8 crore in FY13) on total operating income of Rs.120.5 crore (Rs.206.00 crore in FY13).

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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