

December 31, 2015

CARE REVISES THE RATING FOR LEASE RENTAL DISCOUNTING LOAN AND OTHER LT BANK FACILITIES AND ASSIGNS RATING TO ST BANK FACILITIES OF MANI SQUARE LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Term Loan – Lease Rental Discounting (LRD) *	229.85 (enhanced from 210.00)	CARE BBB (SO) [Triple B (Structured obligation)]	Revised from CARE BBB-(SO) [Triple B Minus (Structured obligation)]
Long-term Bank Facilities – Fund Based	375.00 (reduced from 394.94)	CARE BBB- (Triple B Minus)	Revised from CARE BB+ (Double B Plus)
Long-term Bank Facilities – Non-Fund Based	10.00	CARE BBB- (Triple B Minus)	Revised from CARE BB+ (Double B Plus)
Short-term Bank Facilities – Non-Fund Based	125.00	CARE A3 (Single A Three)	Assigned
Total	739.85 (Rs. Seven Hundred and Thirty Nine crore and Eighty Five lacs only)		

**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 3.49 lakh sq. ft.), Signage, Commercial Area (0.23 lakh sq. ft.) and Car Parking Space.*

Rating Rationale

The revision in the rating for the Lease Rental Discounting (LRD) Term Loan takes into account the improvement in the liquidity profile of the company for the said loan, occasioned out of reduction in the interest rate. The rating also derives strength from the 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 revision in long term rating for other bank facilities takes into account the successful completion of the Swarnmani Project (Phase I) and satisfactory advancement of Phase II & III of the said project coupled with overall improvement in the financial position of the company in FY15 and satisfactory debt coverage indicators. The rating continues to derive strength from the rich experience and successful track record of the promoter in the real estate sector. The rating is however constrained by the risk of implementation of other ongoing projects other than Swarnmani Project (Phase II & III), significant exposure in the group companies, increasing competition with plethora of ongoing projects in and around Kolkata and dependence on the retail and real-estate sectors, which, in turn, are dependent on macro-economic factors.

Ability of the company to complete the Swarnmani project (Phase II & III) 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 Jhunjunwala, 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 lakh 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, Mainkala and Manisri) at prime locations in Kolkata, followed by the Swarnmani Project (Phase I) which got completed very recently and is ready for handover to the patrons.

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

The rated LRD loan of Rs.229.85 crore had been taken over by, Bank of Baroda, during December 2014, from Axis Bank and Kotak Bank with a lower interest rate and revised 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 3.49 lakh sq. ft.), Signage, Commercial Area (0.23 lakh sq. ft.) and Car Parking Space. 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.

In FY15, MSL has achieved PBILDT of Rs.82.5 crore (Rs.67.6 crore in FY14) and PAT of Rs.9.2 crore (Rs.4.9 crore in FY14) on total operating income of Rs.343.6 crore (Rs.120.5 crore in FY14).

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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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CIN - L67190MH1993PLC071691