

Mani Square Limited

January 09, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities – LRD Loan	-	-	Withdrawal
Long term bank facilities	243.50 (reduced from Rs.325.50)	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]
Short term Bank Facilities	20.00 (reduced from Rs.117.1)	CARE A4+ [A four plus]	Revised from CARE A3 [A three]
Total	263.50 (Rs. Two hundred sixty-three crore and fifty lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Mani Square Limited (MSL) takes into account the moderation in debt coverage indicators attributable to continuous rise in the debt levels coupled with increasing exposure (including corporate guarantee) in the group entities having relatively weaker credit profile. The revision also takes into account the saleability risk attached to the 'Mani Imperial' Project and delay in completion of its four star hotel – 'Courtyard by Marriott' at Siliguri.

Further, the ratings are constrained by salability and the construction risk associated with the ongoing projects, moderate financial risk profile, 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.

The ratings, however, derive strength from the rich experience and successful track record of the promoter in the real estate sector, satisfactory advancement of Phase II & III of the Swarnamani Project. The rating also factors in the higher traction in sales from Mani Vista Project during last twelve months and Courtyard by Marriott Hotel nearing completion. Ability of the company to complete the on-going projects on time and at the proposed cost estimates as well as ensure the off-take of balance inventory as per the envisaged timelines coupled with any further increase in the debt levels shall be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Construction as well as saleability risk associated with the ongoing projects: MSL is currently developing three projects – Courtyard by Marriot hotel at Siliguri, Mani Vista and Mani Imperial residential project, in addition to Phase II & III of the Swarnamani Project (Phase I has already been completed and around ~85% of the area has been sold till November 2018 with low traction in sales in the last twelve months).

The company is constructing two additional residential blocks (Phase II and Phase III) in the Swarnamani Project, comprising of an aggregate area of around 4.9lsf for a total project cost of ~Rs.145 crore. Till Nov'18 the company has expended around 64% of the total project cost and proposed to complete the project by March 2020 (in a phased manner). Till Nov'18 the company has sold around 65% of the salable area vis-à-vis 51% till Feb'17.

Mani Vista residential project is an upcoming premium residential apartment in the posh area of Tollygunge for a total project cost of Rs.176 crore. Till Nov'18 the company has expended 57% of the project cost with expected date of completion in Q4FY20. The company has sold around 75% of the total salable area till Nov'18.

For Mani Imperial residential project, the company has expended around 50% of the total project cost of Rs.242.0 crore and the project is expected to complete by Q3FY21 (revised from Q4FY20). The company has sold only 18% of the total salable area till Nov'18 with almost no traction in sales in the last two year.

Delay in project execution – 'Courtyard by Marriott'; albeit nearing completion: The company is setting up a four-star hotel in Siliguri, West Bengal and has entered into marketing cum management contract with Marriott International, Inc, USA under 'Courtyard' brand for the same. Till Nove'18, the company has expended around 98% of the total project cost of Rs.161 crore (revised from Rs.153.0 crore) and the project is expected to start in January, 2019 (delayed by more than 2 years).

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

Moderate financial risk profile with significant group exposure (including corporate guarantee): Financial performance for real estate companies generally remains erratic with the same peaking up in the year of project completion/delivery and declining substantially in other years. MSL's financial risk profile is characterized by high debt levels (Rs.1026.7 crore as on Mar'18 vis-à-vis Rs.1001.4 crore as on Mar'17) as significant amount of funds (including unsecured loans of Rs.183.8 cr as on Mar'18) have been used to fund various real estate projects being implemented by MSL and other group entities. Overall gearing ratio remained high at 3.32 times as on March 31, 2018 vis-à-vis 3.45 times as on March 31, 2017. As on March 31, 2018 MSL had a total exposure of Rs.510.1 crore (Rs.529.3 crore in the previous year) in its subsidiaries, joint ventures and associate companies. The company has also extended corporate guarantees for loans availed by its group companies (Rs.1035.0 crore outstanding as on March 31, 2018 vis-à-vis Rs.424 crore outstanding as on March 2017). The credit profile of the group companies wherein MSL has substantial exposure has weakened during the last twelve-eighteen months.

Increasing competition with plethora of ongoing large size projects in and around Kolkata: Over the last few years, Kolkata has witnessed significant growth in real estate sector with large number of renowned local as well as national level real estate players entering with large size projects in the city. Most of the projects of the company are located in and around the EM bypass area of Kolkata where a large number of real estate projects are coming up in the near future. Therefore, MSL faces competition from various ongoing large size projects in and around Kolkata.

Key Rating Strengths

Experienced promoter and successful track record of the group in real estate development: Mani Group, incorporated in 1980, is a Kolkata based real estate group well-known for development of real estate projects in both residential and commercial sector. Mr. Jhunjhunwala, aged about 62 years, is a first generation entrepreneur having three decades of experience in real estate industry. The group has a track record of having developed over 40 real estate projects, mainly in Kolkata.

Efficient project execution capabilities coupled with association with renowned architects and consultants: The group has satisfactory execution capabilities as evident from projects delivered in the past. The group is associated with renowned architects and contractors who have been associated with Mani group from the last eight years and have done the architecture work for many of its completed residential as well as retail projects.

High occupancy levels of the mall in the last five years, however, risk of non-renewal remains: Mani Square Mall is one of the renowned malls in Kolkata and witnesses good footfalls with ~95% occupancy levels during the last five years and its shops being occupied by renowned brands with a good past track record. However, lease agreements of the mall have a lock-in period ranging between three-seven years (mostly three years) due to which there exists a risk of non-renewal of rent agreements or renegotiation of lease agreements at lower rentals.

Structured payment mechanism for the LRD loan: The LRD loan is payable through a structured payment mechanism in terms of which repayment of principal and servicing of interest, shall be made out of a designated account to be funded from lease rentals being received from Mani Square Mall, Signage, Commercial Area and Car Parking Space. The rental income from the Mani Square Mall is expected to increase on the back of revision in the lease rentals and entering into revenue sharing arrangement with the some of the key tenants. MSL ensures that funds for instalment payment are available in the Designated Account prior to the date of debt servicing. In case, any shortfall arises in the Designated Account, in servicing the aforesaid term loan, MSL is bound to infuse the shortfall.

Improvement in sales during the last twelve months: During the last twelve months, there has been improvement in the sales of 'IQ city Residence' and 'Mani Vista' Project. As on November 30, 2018 the company has already sold around 67% and 75% of the total saleable area respectively.

Liquidity: A large part of the debt of the company is supported by contracted cash flows in the form of lease rentals receivables from the Mani Square Mall. Further, the customer advances are good to meet the project construction cost and the company has moderate collection efficiency. Besides this, company had a cash & bank balance of Rs.10.47 crore as on March 31, 2018.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology - Infrastructure Sector Ratings](#)
[Financial ratios - Non Financial Sector](#)

About the Company

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.

Further, the company has recently completed the IQ City Residence Project and is currently executing three more residential projects [Swarnmani (Phase II & III), Mani Imperial & Mani Vista] and a four star hotel (Courtyard by Marriot) in Siliguri, West Bengal.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	318.9	208.0
PBILD	89.7	89.9
PAT	8.1	14.8
Overall gearing (times)	3.45	3.32
Interest coverage (times)	1.19	1.40

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	June, 2025	68.00	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-		170.00	CARE BB+; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	5.50	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	20.00	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-	1)CARE BBB- (31-Dec-15)
2.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-	1)CARE BBB- (31-Dec-15)
3.	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	-	-	1)CARE BBB-(SO); Negative (06-Apr-18)	1)CARE BBB-(SO); Negative (24-Apr-17)	-	1)CARE BBB (SO) (31-Dec-15)
4.	Fund-based - LT-Term Loan	LT	68.00	CARE BB+; Stable	1)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-	1)CARE BBB- (31-Dec-15)
5.	Non-fund-based - LT-Bank Guarantees	LT	5.50	CARE BB+; Stable	1)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-	1)CARE BBB- (31-Dec-15)
6.	Fund-based - LT-Term Loan	LT	170.00	CARE BB+; Stable	1)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-	1)CARE BBB- (31-Dec-15)
7.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (31-Dec-15)
8.	Non-fund-based - ST-Letter of credit	ST	20.00	CARE A4+	1)CARE A3 (06-Apr-18)	1)CARE A3 (24-Apr-17)	-	1)CARE A3 (31-Dec-15)

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