

Mani Square Limited

March 09, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	243.50	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) on the basis of best available information
Short Term Bank Facilities	20.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A4+(A Four Plus) on the basis of best available information
Total	263.50 (Rs. Two hundred sixty three crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Mani Square Limited (MSL) to monitor the ratings vide e-mail communications dated December 30, 2019, February 3, 2020, February 5, 2020, February 21, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Mani Square Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on Mani Square Limited's bank facilities will now be denoted as **CARE BB;/ CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large are hence requested to exercise caution while using the above ratings.

The ratings have been revised due to continued deterioration in the capital structure and lack of adequate information regarding the project status and operational performance coupled with uncertainty around its credit risk.

Detailed description of the key rating drivers

At the time of last rating on January 9, 2019 the following were the rating strengths and weaknesses (updated for information available from Registrar of Companies):

Key Rating Weaknesses

Construction as well as saleability risk associated with the ongoing projects:

MSL is currently developing two projects – 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 4.9l sf for a total project cost of ~Rs.145 crore.

Delay in project execution – ‘Courtyard by Marriott’;

The company has set 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. The company has started operations from January 2019 (with delay over 2 years).

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.1135.52 crore as on Mar'19 vis-à-vis Rs.1067.5 crore as on Mar'18) as significant amount of funds (including unsecured loans of Rs.75.65 cr as on Mar'19) have been used to fund various real estate projects being implemented by MSL and other group entities. Overall gearing ratio remained high at 3.43 times as on March 31, 2019 vis-à-vis 3.45 times

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

as on March 31, 2018. As on March 31, 2019 MSL had a total exposure of Rs.549.1 crore (Rs.510.1 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.1025.0 crore outstanding as on March 31, 2019 vis-à-vis Rs.1035 crore outstanding as on March 2018).

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.

Analytical approach: Standalone.

Applicable Criteria

Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria on assigning Outlook and Credit Watch
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments
Rating Methodology – Real Estate Sector

About the Company

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 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].

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total Operating Income	207.98	375.45
PBILDT	89.86	109.62
PAT	14.83	13.25
Overall Gearing (times)	3.45	3.43
Interest coverage (times)	1.40	1.45

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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-Term Loan	-	-	June 2025	68.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Non-fund-based - LT-Bank Guarantees	-	-	-	5.50	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Fund-based - LT-Term Loan	-	-	June 2025	170.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	20.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (09-Jan-19) 2)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-
3.	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	-	-	-	1)Withdrawn (09-Jan-19) 2)CARE BBB-(SO); Negative (06-Apr-18)	1)CARE BBB (SO); Negative (24-Apr-17)	-
4.	Fund-based - LT-Term Loan	LT	68.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (09-Jan-19) 2)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-
5.	Non-fund-based - LT-Bank Guarantees	LT	5.50	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (09-Jan-19) 2)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-
6.	Fund-based - LT-Term Loan	LT	170.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	1)CARE BB+; Stable (09-Jan-19) 2)CARE BBB-; Negative (06-Apr-18)	1)CARE BBB-; Negative (24-Apr-17)	-
7.	Non-fund-based - ST-Letter of credit	ST	20.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4+ on the basis of best available information	-	1)CARE A4+ (09-Jan-19) 2)CARE A3 (06-Apr-18)	1)CARE A3 (24-Apr-17)	-

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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