

## Mani Square Ltd.

April 24, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities – Term Loan – Lease Rental Discounting (LRD) *	218.26 (reduced from 229.85)	<b>CARE BBB (SO); Negative [Triple B (Structured obligation); Outlook: Negative]</b>	Reaffirmed
Long-term Bank Facilities – Fund Based	407.0 (enhanced from 375.0)	<b>CARE BBB-; Negative (Triple B Minus; Outlook: Negative)</b>	Reaffirmed
Long-term Bank Facilities – Non-Fund Based	10.0		Reaffirmed
Short-term Bank Facilities – Non-Fund Based	125.0	<b>CARE A3 (Single A Three)</b>	Reaffirmed
<b>Total Facilities</b>	<b>760.26 (Rs. Seven Hundred and Sixty crore and Twenty Six lacs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating for Lease Rental Discounting (LRD) Term Loan continues to derive 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 the high occupancy (~95%) of the mall along with increase in lease rentals over the last three years followed by reduced cost of borrowing post takeover of the LRD loan by Bank of Baroda.

The ratings for other bank facilities continue to draw strength from the rich experience and successful track record of the promoter in the real estate sector, successful completion of the Swarnmani Project (Phase I) and satisfactory advancement of Phase II & III of the said project. The rating also factors in the higher traction in sales from Swarnmani Project during last twelve months.

The rating is however constrained by saleability and the construction risk associated with the ongoing projects, moderate financial risk profile of the company with 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 proposed cost estimates as well as ensure the off-take of balance inventory as per envisaged timelines shall be the key rating sensitivity.

#### Outlook Negative

The outlook on the long term rating is negative due to continuous rise in the debt levels & increasing exposure in the group companies having relatively weaker credit profile thereby leading to moderation in debt coverage indicators. The outlook may be revised to stable in case of higher than envisaged cash flows from the sale of projects and improvement in the financial performance of the group companies.

### Detailed Description of key rating drivers

#### Key Rating Strengths

##### Structured payment mechanism for the LRD loan

The LRD loan (Rs.218.26 outstanding as on Dec'16) 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 (for part area of 3.49 lakh sq ft) Signage, Commercial Area (0.23 lakh sq. ft.) and Car Parking Space.

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 make it good.

### Experienced promoter and successful track record of the group in real estate development

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

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 61 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 seven 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 three 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 three 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.

#### **Improvement in sales during the last twelve months**

During the last twelve months, there has been improvement in sales of Swarnmani Project (phase I, II & III) with company selling around 38% of the unsold inventory area of 3.98 lsf. Further till February 2017, the company had also sold around 25% of the unsold inventory in Mani Vista Project.

#### **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 Swarnmani Project (Phase I has already been completed and around ~84% of the area has been sold till February 2017).

The company has commenced constructing of additional 2 residential blocks (Phase II and Phase III) of area 3.8 lakh square feet at its existing project site for cost of ~Rs.207.0 crore. The civil structural work for the Fourth tower (Phase II) has already been completed and the project is expected to be completed by Q2FY18. Till Feb'17 the company has already sold ~80% of the total salable area of 2.16 lsf for a price consideration of Rs.142.7 crore.

The civil structural work for the Fifth tower (Phase III) is in progress and the company has incurred Rs.22.5 crore till Feb'17. The company has already sold ~48% of the total salable area of 0.78 lsf and the project is scheduled to complete by Dec 2018. During the last twelve months, there has been improvement in sales of Swarnmani Project (phase I, II & III) with company selling around 14% of the total saleable area of 10.88 lsf.

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 Feb'17 the company has expended Rs.54.9 crore (~31% of the project cost) and has sold ~45% of the total salable area of 3.21 lsf with expected date of completion in Q1FY20.

For Mani Imperial residential project, the company has incurred Rs.65.1 crore (against the total project cost of Rs.242.0 crore). The total saleable area of the project is 3.54 lsf and the company has sold around 25% of the area till Feb.2017. The project is expected to complete in Q3FY19. The debt part of the project has been sanctioned.

Both the above projects (Mani Vista & Mani Imperial) are in the initial stage of construction and more than 60% of the area is yet to be sold.

Further, the company is setting up a four-star hotel in Siliguri, West Bengal. The company has entered into marketing cum management contract with Marriott International, Inc, USA under 'Courtyard' brand for the same. Till Feb'17, the company has incurred cost of Rs.68.1 crore against total project cost of Rs.155 crore and the project is expected to complete by Sep'18.

##### **Moderate financial risk profile with significant group exposure**

MSL's financial performance is characterized by high debt levels as significant amount of unsecured loans have been used to fund various real estate projects being implemented by MSL and other group companies. However, the unsecured loans amounting to Rs.158.0 crore have been subordinated to bank loans and have been considered as a part of Networth in FY15 & FY16. Overall gearing ratio though deteriorated, remains moderate at 1.54 times as on March 31, 2016 vis-à-vis 1.45 times as on March 31, 2015. Further, as on March 31, 2016 MSL had an exposure of Rs.492.1 crore (Rs.444.7 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.490 crore outstanding as on March 2016). The credit profile of the group companies wherein MSL has substantial exposure has weakened during the last twelve months.

##### **Increasing competition with plethora of ongoing large size projects in and around Kolkata**

Over the last few years, Kolkata has witnessed tremendous 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.

**Analytical approach:** Standalone

**Applicable Criteria**

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

**About the Company**

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, Maikala 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.

In FY16, MSL has achieved PBILDT of Rs.83.3 crore (Rs.82.5 crore in FY15) and PAT of Rs.12.9 crore (Rs.9.2 crore in FY15) on total operating income of Rs.184.6 crore (Rs.343.6 crore in FY15).

**Status of non-cooperation with previous CRA:** CRISIL has suspended its rating vide its press release dated Dec.10, 2013 due to non-cooperation by MSL.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Vineet Chamaria

Tel # 033 4018 1609

Mobile #9051730850

Email: [vineet.chamaria@careratings.com](mailto:vineet.chamaria@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**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-Lease rental discounting/ Rent Receivables Financial	-	-	July 2026	218.26	CARE BBB (SO); Negative
Fund-based - LT-Term Loan	-	-	June 2027	178.00	CARE BBB-; Negative
Fund-based - LT-Term Loan	-	-		170.00	CARE BBB-; Negative
Fund-based - LT-Term Loan	-	-		29.00	CARE BBB-; Negative
Fund-based - LT-Cash Credit	-	-	-	30.00	CARE BBB-; Negative
Non-fund-based - LT-Bank Guarantees	-	-	-	10.00	CARE BBB-; Negative
Non-fund-based - ST-Letter of credit	-	-	-	125.00	CARE A3

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	29.00	CARE BBB-; Negative	-	-	1)CARE BBB- (31-Dec-15)	1)CARE BB+ (08-Dec-14) 2)CARE BB+ (29-Jul-14) 3)CARE BB+ (08-Apr-14)
2.	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB-; Negative	-	-	1)CARE BBB- (31-Dec-15)	1)CARE BB+ (08-Dec-14) 2)CARE BB+ (29-Jul-14)
3.	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	218.26	CARE BBB (SO); Negative	-	-	1)CARE BBB (SO) (31-Dec-15)	1)CARE BBB- (SO) (08-Dec-14)
4.	Fund-based - LT-Term Loan	LT	178.00	CARE BBB-; Negative	-	-	1)CARE BBB- (31-Dec-15)	1)CARE BB+ (08-Dec-14)
5.	Non-fund-based - LT-Bank Guarantees	LT	10.00	CARE BBB-; Negative	-	-	1)CARE BBB- (31-Dec-15)	1)CARE BB+ (08-Dec-14)
6.	Fund-based - LT-Term Loan	LT	170.00	CARE BBB-; Negative	-	-	1)CARE BBB- (31-Dec-15)	1)CARE BB+ (08-Dec-14)
7.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (31-Dec-15)	1)CARE BB+ (08-Dec-14)
8.	Non-fund-based - ST-Letter of credit	ST	125.00	CARE A3	-	-	1)CARE A3 (31-Dec-15)	-

**CONTACT****Head Office Mumbai****Mr. Mehul Pandya**

Cell: +91-98242 56265

E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [sajan.goyal@careratings.com](mailto:sajan.goyal@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691