

September 10, 2024

Maza Developers Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Lease Rental Discounting	31.00	31.00	[ICRA]BB (Stable); reaffirmed
Total	31.00	31.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the extensive experience of the promoters of Maza Developers Private Limited (MDPL or the company), the company's association with the established Mumbai based Kukreja Construction Company, which has a track record of over four decades in the real estate business, and attractive location of the property in Mumbai. ICRA continues to draw comfort from the reputed lessee profile, such as the Reserve Bank of India (RBI) and L&T STEC joint venture (JV), which reduces counterparty risks.

The rating, however, is constrained by weak debt coverage metrics with DSCR below 1x in FY2025 due to significant debt obligations and reduction in occupancy levels to 91% of the leasable area as of August 2024 compared to 96% as of May 2023. ICRA expects MDPL to meet the interim cash flow shortfall through promoter infusion of unsecured loans, as demonstrated in the past. The rating also factors in the accentuated lease renewal risk, as the lease rental discounting (LRD) loan has been availed for a 13-year tenure, whereas the agreements with its tenants are normally for a year, except in the case of RBI where 3-year lease agreements are in place and are due for expiry in October2024/ February2025. The rating remains constrained by the high tenant concentration risk with the top three tenants constituting over 88% of the leased area. ICRA notes that around 34% of the leased area is due for expiry in FY2025 and non-renewal of leases in a timely manner could expose the company to significant market risk. Further, the absence of a debt service reserve account (DSRA) may lead to cash flow mismatches in case of delays in remittance of rentals by the lessees.

The Stable outlook on the [ICRA]BB rating reflects ICRA's opinion that the company will be able to maintain current occupancy levels along with execution of escalation in rentals supported by attractive location of the property. Also, the promoters will continue to support the company in case of any shortfall that may arise in future.

Key rating drivers and their description

Credit strengths

Attractive location of the property and established track record of promoters - The property, Oliva Apartments, is on Sion Trombay Road in the Deonar suburb of Mumbai. The property is located around 15 km from the airport and 3-4 km from the Chembur railway station. The area is an upcoming residential and commercial hub in the Mumbai suburbs. The company is a part of the Mumbai-based Kukreja Construction Company, a prominent real estate developer with business interests across residential, commercial, industrial and hospitality segments. The key promoters, Mr. Sunil Kukreja and Mr. Mohan Kukreja, have an established track record of over four decades, during which the Group delivered over 7.75 million square feet (sq. ft.) of residential, commercial and industrial real estate in Mumbai and Navi Mumbai.

Reputed licensee profile minimises counterparty risk - Oliva Apartments houses multiple reputed tenants which includes the RBI, L&T, KEC International, and Megha Engineering & Infrastructures among others which minimises the counterparty risk for the company. The LRD loan is backed by rentals from these leases.

Proven track record of promoter funding support- Funding support from promoters is essential for MDPL to meet its debt obligations and other operational requirements as the entity had DSCR less than 1x in FY2024 and is projected to remain below 1x in the current year. The promoters have provided funding support, which is evident in the increase in unsecured loans over the past three years. The unsecured loans have increased from Rs. 10.1 crore in FY2022 to Rs. 16.6 crore in FY2023 to Rs. 19.5 crore in FY2024.

Credit challenges

Weak debt coverage metrics - The DSCR is projected to be below 1x in FY2025 due to high debt repayment obligations and reduction in occupancy levels to 91% of the leasable area as of August 2024 compared to 96% as of May 2023. However, the track record of funding support provided by the promoters in the form of unsecured loans as and when there is a cashflow shortfall, provides some comfort.

Exposure to lease renewal and vacancy risk - The higher loan tenure of 13 years compared to the rental tenure of typically 1-year exposes the company to lease renewal risks. Around 34% of the leased area is due for expiry in FY2025. In case the agreements are not renewed on expiry, the company will have to bear the outgo of security deposits, the loss of rentals, and bear the additional brokerage charges payable on bringing in new tenants which will adversely impact its liquidity profile.

High tenant concentration risk - The top three tenants, the RBI, L&T STEC JV and Megha Engineering & Infrastructures Limited, constitute more than 88% of the total leased area and contribute over 88% to the total revenues currently, reflecting a high tenant concentration risk. One of the top tenants is RBI which has rented 17 of the 54 units currently leased. ICRA notes that the agreements with RBI are due for expiry in October2024/ February2025 and non-renewal of leases in a timely manner could expose the company to significant market risk. The company does not maintain any dedicated DSRA account with the bank; hence, delays in remitting rentals by the lessees, if any, may impact timely debt servicing by the company.

Liquidity position: Stretched

The company has free cash and bank balance of Rs. 0.2 crore as on March 31, 2024. It has an outstanding LRD loan of Rs. 28.2 crore as on March 31, 2024. Its annual debt repayment (Principal + Interest) has been projected at Rs. 4.2 crore in FY2025 against the projected rental income of Rs. 4.6 crore in FY2024. ICRA expects MDPL to meet the interim cash flow shortfall through infusion of unsecured loans by the promoters, as demonstrated in the past.

Rating sensitivities

Positive factors – The rating may be upgraded in case of steady rental receipts from all the tenants or re-leasing of the units which are currently not yielding rent, leading to an improvement in the DCSR above 1.1 times.

Negative factors – Downward pressure on the rating could emerge if the debt coverage indicators weaken further due to any vacancy, non-renewal of rental agreements by lessees, or in case of cash-flow mismatches due to delays in rent receipt from the lessees.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Established in 2011, MDPL is involved in residential real estate development in Mumbai. It has constructed a residential complex, Oliva Apartments, at Deonar, a suburb in Mumbai. The complex consists of ground-plus-12 storeys and basement parking, with a total of 72 apartment units ranging between 785 and 1,080 sq. ft. The project construction started in 2012 and was completed in 2015 and the property had mainly been rented out to the RBI and L&T STEC JV over the past years. The complex has a total carpet area of 60,347 sq. ft. The amenities include a play area for children, a landscaped garden, club house, swimming pool, 24/7 power back-up and car parking.

The company is a part of the Mumbai-based Kukreja Construction Company, a prominent real-estate developer, which has developed and delivered over 7.75 million sq. ft. of residential, commercial and industrial real estate properties in Mumbai and Navi Mumbai over the last four decades.

Key financial indicators (audited)

Maza Developers Private Limited	FY2023	FY2024*
Operating Income (Rs. crore)	4.4	4.7
PAT (Rs. crore)	0.2	0.7
OPBDIT/OI (%)	69.2%	81.1%
RoCE (%)	3.8%	15.4%
Total Outside Liabilities/Tangible Net Worth (times)	3.6	3.5
Total Debt/OPBDIT (times)	15.2	12.6
Interest Coverage (times)	1.1	1.2

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 10, 2024	Date	Rating	Date	Rating	Date	Rating
Lease Rental Discounting	Long-term	31.00	[ICRA]BB (Stable)	Jul 25, 2023	[ICRA]BB (Stable)	Apr 29, 2022	[ICRA]BB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Lease Rental Discounting	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Lease Rental Discounting	Jan 2022	10.7%	March 2035	31.00	[ICRA]BB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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