

December 02, 2021

Mantra Properties and Developers Pvt Ltd: Issuer Rating of [ICRA]BBB (Stable) assigned

Summary of rating(s) Action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	[ICRA]BBB (Stable) assigned
Total	-	

*Instrument details are provided in Annexure-1

Rationale

The issuer rating assigned to Mantra Properties and Developers Pvt Ltd (MPDPL or the company) favourably factors in the established track record of the Mantra Group (the Group) in the Pune real estate market and its healthy sales and collection track record over the last 12 to 18 months. The Group has delivered 18 residential real estate projects till date with a developed area of around 38 lakh square feet (sq ft). It is developing 16 residential projects at present with a total development potential of 55 lakh sq ft. The Group has demonstrated healthy saleability in its ongoing projects with 81% of the launched area sold as on November 10, 2021, with receivables from the sold area covering around 105% of the pending costs and debt outstanding.

The rating is, however, constrained by the execution and funding risks arising from the sizeable number of projects launched recently and those planned for future growth. The Group's portfolio is also exposed to high geographic concentration risk as all the projects are in the Pune city targeting residential buyers. Nonetheless, ICRA notes that the risk is partly mitigated as the projects are spread across different micro-markets and further, the management plans to diversify the portfolio by adding commercial real estate projects over the medium term. The rating also considers the large investments by the Group in land for the upcoming projects, resulting in significant loans and advances to related entities.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's expectation that MPDPL will maintain its business profile with healthy sales and collections in under-construction as well as new projects, while maintaining a conservative capital structure.

Key rating drivers and their description

Credit strengths

Established track record of Mantra Group in Pune market – The Mantra Group has been in the real-estate market for around 15 years with around 38 lakh sq ft of completed project area and 55 lakh sq ft of ongoing project area in and around Pune city. While in the past the Group was focused on affordable housing projects at the outskirts of the city, the projects launched over the last two to three years are more city-centric.

Healthy sales velocity in recent quarters supports collection visibility – In FY2021, the Mantra Group recorded sales of Rs. 570 crore (corresponding PY: Rs. 287 crore). Supported by healthy sales and construction progress, the Group reported healthy collections of around Rs. 400 crore in FY2021 compared to Rs. 270 crore in FY2020. The good response to the recently launched inventory is expected to ensure strong collections for the Group. The Group has demonstrated healthy saleability in its ongoing projects with 81% of the launched area sold as on November 10, 2021, with receivables from the sold area covering around 105% of the pending costs and debt outstanding.

Credit challenges

High geographic concentration – The Group's portfolio is exposed to high geographic concentration risk as all the projects are in the Pune city targeting residential buyers. Nonetheless, ICRA notes that the risk is partly mitigated as the projects are across different micro-markets and further, the management plans to diversify the portfolio by adding commercial real estate projects over the medium term.

Moderate execution and funding risks – As on November 10, 2021, the Group's pending cost commitment, including the recently launched projects, was Rs. 615 crore and the debt outstanding was Rs. 128 crore. The group has a healthy pipeline of new launches for remaining period of FY2022 with pending cost commitment of around Rs. 190 crore. Presently, debt of Rs. 25 crore has been tied up for one of the projects and discussion for Rs. 140 crore debt is in advanced stages.

Investments in land to support growth plans - The Group is expected to maintain a strong project pipeline to support its growth plans, which exposes the portfolio to moderate execution and funding risks. The rating also considers the large investments by the Group in land for the upcoming projects, resulting in significant loans and advances to related entities.

Liquidity position: Adequate

MPDPL had cash and bank balances of Rs. 64.5 crore as on March 31, 2021 compared to the scheduled debt repayment of Rs. 50 crore in FY2022. For the ongoing projects (including the recently launched projects), the committed receivables were Rs. 779 crore as on November 10, 2021 compared to the pending cost and outstanding debt aggregating to around Rs. 740 crore. Further, the company is in the process of availing fresh loan sanctions for the upcoming projects which will also support the liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if MPDPL records better-than-expected sales in the ongoing and upcoming projects, which will result in higher collections and healthy cash from operations and substantially reduce the debt.

Negative factors – Negative pressure on MPDPL's rating could arise if significant debt-funded growth plans and/or lower-than-expected sales of new projects weaken the liquidity profile of the company.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financial statements of the rated entity.

About the company

Mantra Properties and Developers Pvt. Ltd, incorporated in 2013, is the holding company of the Mantra Group's real estate business. The Pune-based Group, founded by Late Mr. Puranchand Kishorilal Gupta, has a diversified business interest. The Group ventured into real estate in 2006 and has delivered 18 residential real estate projects till date with an area of around 38 lakh sq ft. At present, the Group is undertaking 16 residential projects in Pune, with a total development potential of 55 lakh sq ft. Of these, two projects (with saleable area of 11 lakh sq ft) were launched in September 2021 and are in a nascent stage of construction.

Key financial indicators

MPDPL Consolidated	FY2019	FY2020	FY2021
	Audited	Audited	Provisional
Operating Income (Rs. crore)	168.6	290.6	325.1
PAT (Rs. crore)	-4.2	-15.8	12.6
OPBDIT/OI (%)	5.0%	0.1%	9.7%
PAT/OI (%)	-2.5%	-5.4%	3.9%
Total Outside Liabilities/Tangible Net Worth (times)	-334.8	46.1	-45.4
Total Debt/OPBDIT (times)	49.4	2,683.7	15.6
Interest Coverage (times)	0.6	0.0	1.8

Source: Company; 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

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Sep 30, 2021 (Rs. crore)	Date & Rating on		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Dec 02, 2021	Sept 30, 2021	Jun 01, 2021	Aug 05, 2019	Jun 25, 2018
1	Issuer Rating	Long-term	-	-	[ICRA]BBB (Stable)	-	-	-	-
2	Unallocated Limits- Term Loan	Long-term	-	-	-	[ICRA] BB- (Stable); ISSUER NOT COOPERATING; Withdrawn	[ICRA] BB- (Stable); ISSUER NOT COOPERATING	[ICRA]BB+ (Stable)	[ICRA]BBB- (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not applicable

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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	-	-	-	-	[ICRA]BBB (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis:

Company Name	MPDPL Ownership	Consolidation Approach
Mantra Sky Castle Private Limited	99%	Full Consolidation
Speciality Landmarks Pvt Ltd	99%	Full Consolidation
Selenite Housing Private Limited	99%	Full Consolidation
Srrinivas Infrabuildtech Pvt Ltd	99%	Full Consolidation
Mantra Kingdom Pvt Ltd	99%	Full Consolidation
A Plus Design House LLP	99%	Full Consolidation
A to Z Utility Services LLP	99%	Full Consolidation
Mantra Builders LLP - Inside Story Interior Designers Consultants LLP	99%	Full Consolidation
Mantra Maisons LLP	99%	Full Consolidation
Mantra Buildcity LLP	99%	Full Consolidation
Mantra Buildcrafts LLP	99%	Full Consolidation
Mantra Developments LLP	99%	Full Consolidation
Mantra Earth LLP	99%	Full Consolidation
Mantra Erectors and Builders LLP	99%	Full Consolidation
Mantra Greens LLP	99%	Full Consolidation
Mantra Huizen LLP	99%	Full Consolidation
Mantra Infradevelopers LLP	99%	Full Consolidation
Mantra Infra-Edge County LLP	99%	Full Consolidation
Mantra Infrahome LLP	99%	Full Consolidation
Mantra Insignia LLP	99%	Full Consolidation
Mantra Island Homes Chimbli LLP	99%	Full Consolidation
Mantra Island Homes Talegaon LLP	99%	Full Consolidation
Mantra Praediis LLP	99%	Full Consolidation
Mantra Residencies LLP	84%	Full Consolidation
Mantra Skyline LLP	99%	Full Consolidation
S2S Buildcity LLP	99%	Full Consolidation
Mantra Kothrud Ventures LLP	99%	Full Consolidation
Mantra Properties	99%	Full Consolidation
Mantra Zirconia	99%	Full Consolidation
Mantra Sheltron	99%	Full Consolidation
Mantra Universe	99%	Full Consolidation
Sai Ram	99%	Full Consolidation
Grand Edifice	99%	Full Consolidation
Mantra Heaven	99%	Full Consolidation
Mantra Realtors	99%	Full Consolidation
Samarth Developers	99%	Full Consolidation
Mantra Homes	99%	Full Consolidation
Mantra Spaces	99%	Full Consolidation
Mantra PRAEDIIS Phase I	99%	Full Consolidation
Mantra PRAEDIIS Phase II	99%	Full Consolidation
Mantra PRAEDIIS Phase III	99%	Full Consolidation
Mantra PRAEDIIS Phase IV	99%	Full Consolidation
Mantra PRAEDIIS Phase V	99%	Full Consolidation
Mantra PRAEDIIS Phase VI	99%	Full Consolidation
Mantra PRAEDIIS Phase VII	99%	Full Consolidation
Mantra PRAEDIIS Phase VIII	99%	Full Consolidation
Mantra PRAEDIIS Phase IX	99%	Full Consolidation

Company Name	MPDPL Ownership	Consolidation Approach
Mantra PRAEDIIS Phase X	99%	Full Consolidation
Mantra City	99%	Full Consolidation
Mantra Creation	99%	Full Consolidation
Mantra Development	99%	Full Consolidation
Mantra Meadows	99%	Full Consolidation
Mantra Ocean	99%	Full Consolidation
Mantra Magic Developers	80%	Full Consolidation

Source: Company

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4067 6527

rajeshwar.burla@icraindia.com

Mathew Kurian Eranat

+91 80 4332 6415

mathew.eranat@icraindia.com

Shreekiran Rao

+91 22 61143469

shreekiran.rao@icraindia.com

Sandhya Negi

+91 20 6606 9925

sandhya.negi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.