

March 05, 2024

Mantra Properties and Developers Pvt Ltd: Rating reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA] BBB (positive); reaffirmed and outlook revised to Positive from Stable
Total	-	-	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook to positive on the issuer rating of Mantra Properties and Developers Pvt Ltd (MPDPL) factors in the expected improvement in Mantra Group's¹ sales and collections in FY2024 and FY2025, driven by healthy sales velocity in its ongoing projects and recent launches, good launch pipeline and healthy end-user demand. Consequently, the cash flow from operations are likely to improve while maintaining comfortable leverage metrics. The Group is currently developing 19 residential projects with a total development potential of 7.2 msf and has demonstrated healthy saleability in its ongoing projects with 91% of the launched area sold and the cost incurred at around 80% as of September 30, 2023. The Group's sales are estimated to grow by 9-10% to around Rs. 710 crores in FY2024 (PY: Rs 647 crore) and by about 25-30% in FY2025 and the collections are likely to increase by 19-20% in FY2024 (PY: Rs. 622 crore) and further by around 17-18% in FY2025. The total debt is estimated to be around Rs. 125-135 crore as on March 2024 (PY: 137.4 crore) and the leverage, Debt/CFO, is expected to remain comfortable in the range of around 0.7-0.9 times in FY2024 and FY2025. The cashflow adequacy ratio [committed receivables/ (external debt outstanding + pending cost)] is healthy at 88% as of September 2023 (68% as of September 2022). The rating continues to factor in the established track record of the Mantra Group in the Pune real estate market and has delivered 18 residential real estate projects till date with a developed area of around 4 msf.

The rating is, however, constrained by the execution and funding risks arising from the future project pipeline admeasuring around 3.6 msf of saleable area which are planned to be launched in next 2-3 quarters. The Group's portfolio is also exposed to high geographical concentration risk as all the projects are in the Pune city targeting residential buyers. Nonetheless, the risk is partly mitigated as the projects are spread across different micro markets. The rating is also constrained by low reported profit margins over the past 2-3 years. However, the operating profit margins are expected to improve as the company has been shifting its focus towards mid segment projects from affordable segment projects. Moreover, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand.

Key rating drivers and their description

Credit strengths

Expected improvement in sales and collections; comfortable leverage metrics – The Group's sales are estimated to grow by 9-10% to around Rs. 710 crores in FY2024 (PY: Rs 647 crore) and by about 25-30% in FY2025 and the collections are likely to increase by 19-20% in FY2024 (PY: Rs. 622 crore) and further by around 17-18% in FY2025. The total debt is estimated to be around Rs. 125-135 crore as on March 2024 (PY: 137.4 crore) and the leverage, Debt/CFO, is expected to remain comfortable in the range of around 0.7-0.9 times in FY2024 and FY2025.

¹ For arriving at the rating, ICRA has consolidated the financials of Mantra Properties and Developers Pvt Ltd along with its subsidiaries, as these entities are involved in real estate operations and has close business, financial and managerial linkages along with a common treasury team.

Healthy cash flow adequacy ratio – The cashflow adequacy ratio is healthy at 88% as of September 2023 (68% as of September 2022) marked by healthy committed receivables of Rs 575 crore while the cost to be incurred remains at around Rs 560 crore and external debt outstanding of Rs 93 crore as of September 2023.

Established track record of Mantra Group in Pune real estate market – The Mantra Group has been in real estate market for 15 years with around 18 residential real estate projects till date with a developed area of around 4 msf. It is currently developing 19 residential projects with a total development potential of 7.2 msf. The Group has demonstrated healthy salability in its ongoing projects with 91% of the launched area sold as of September 30, 2023. While in the past, the Group was focused on the affordable housing projects at the outskirts of the city, the projects launched over the last three to four years are more city centric.

Credit challenges

Exposure to execution and funding risks – The Group's future project pipeline stood at ~3.6 msf as of September 30, 2023 to be launched over the next two to three quarters exposing it to execution and market risks. Timely launch of the upcoming projects, along with healthy sales and collection momentum, would be critical for improving the operational cash flow generation.

High geographical concentration risk and low profitability margins – The Group's portfolio is exposed to high geographical 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. Further, the company reported low profit margins over the past 2-3 years. However, the operating profit margins are expected to improve as the company has been shifting its focus towards mid segment projects from affordable segment projects.

Exposed to cyclical in real estate business – The residential real estate sector, being cyclical in nature is highly dependent on macro-economic factors, which exposes its sales to any downturn in demand and competition within the region from various established developers.

Liquidity position: Adequate

The group's liquidity position is adequate supported by unencumbered cash and bank balances of Rs. 73 crores as of September 2023 and undrawn bank limits aggregating to around Rs. 37.5 crores as of January 2024. The committed receivables of Rs 575 crore cover around 88% of the balance cost of Rs. 560 crore and external debt outstanding of Rs. 93 crores as of September 30, 2023. Further, the group has scheduled debt repayments to the tune of Rs. 64 crores in FY2024 and Rs. 18 crores in FY2025 which are expected to be adequately met from its cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if MPDPL records a sustained improvement in scale of operations along with improvement in sales and collections in the ongoing and upcoming projects, resulting in higher cashflow from operations while maintaining comfortable leverage and coverage metrics.

Negative factors – Negative pressure on MPDPL's rating could arise if there are significant debt-funded growth plans and/or sustained reduction in sales and collections from ongoing and new projects, adversely impacting the leverage position or weakening the liquidity profile of the company. Further, fall in cash flow adequacy ratio below 40% on a consistent basis will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Residential/Retail/Commercial
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings ICRA has consolidated the financials of Mantra Properties and Developers Private Limited (MPDPL) along with its subsidiaries, as these entities are involved

Analytical Approach	Comments
	in real estate operations and has close business, financial and managerial linkages along with a common treasury team.

About the company

Incorporated in 2013, Mantra Properties and Developers Pvt Ltd (MPDPL) is the holding company of the Mantra Group's real estate business. The Pune-based Group, founded by the Late Mr. Puranchand Kishorilal Gupta, has diversified business interests. 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 19 residential projects in Pune, with a total development potential of 72 lakh sq ft.

Key financial indicators (audited)

MPDPL – Consolidated	FY2022	FY2023
Operating income	708.1	837.9
PAT	31.5	60.4
OPBDIT/OI	3.3%	9.1%
PAT/OI	4.5%	7.2%
Total outside liabilities/Tangible net worth (times)	11.3	9.2
Total debt/OPBDIT (times)	32.5	9.7
Interest coverage (times)	1.4	4.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBDIT.

Source: Company annual reports, ICRA Research

Status of non-cooperation with previous CRA – NA

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on October 31, 2023	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
				March 05, 2024	March 30, 2023	Dec 02, 2021	Sep 30, 2021	June 01, 2020
1 Issuer Rating	Long term	-	-	[ICRA] BBB (Positive)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	-	-
2 Unallocated limits – Term Loan	Long term	-	-	-	-	-	[ICRA] BB- (Stable); ISSURE NOT COOPERATING; Withdrawn	[ICRA] BB- (Stable); ISSURE NOT COOPERATING

Complexity level of the rated instrument

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 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	Issuer Rating	-	-	-	-	[ICRA] BBB (Positive)

Source: Company

Annexure II: 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
Srinivas 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 29 Goald Coast Developer LLP	33%	Full Consolidation
Mantra Builders LLP	99%	Full Consolidation
Mantra Mansion 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
S2S Buildcity LLP	99%	Full Consolidation
Mantra Kothrud Ventures LLP	99%	Full Consolidation
Mantra Properties	99%	Full Consolidation
Mantra Zicronia	99%	Full Consolidation
Mantra Shelton	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
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 annual report and ICRA research

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