

October 28, 2024

Mantra Skyhomes Private Limited: [ICRA]BB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Proposed non-convertible debentures	35.00	[ICRA]BB+ (Stable); assigned
Total	35.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Mantra Skyhomes Private Limited (MSPL) factors in the favourable location of the project in Mundhwa, Pune, and the established track record of the Mantra Group (the Group) in the Pune real estate market. MSPL's mixed-use project (to be developed in two phases) enjoys proximity to key city areas as well as social infrastructure such as schools, hospitals and airport. The favourable location and strong sales seen in the Group's other projects in Mundhwa is expected to support saleability of the project. MSPL is a 99% subsidiary of the Mantra Group's flagship company – Mantra Properties and Developers Pvt Ltd (MPDPL), rated [ICRA]BBB (Positive). The Mantra Group has a long track record of 15 years, having delivered around 18 residential real estate projects with a total area of around 4 msf till March 2024. The Group is developing 19 residential projects at present with a total development potential of around 7 msf. It has demonstrated healthy saleability in its ongoing projects. ICRA expects the parent, MPDPL, to provide timely financial support to MSPL, for funding shortfall, if any, given their substantial financial linkages, MSPL's strategic importance MPDPL and MPDPL's reputation sensitivity to default.

The rating is, however, constrained by the initial stages of construction with only 5% of the total cost of Phase 1 of the project incurred as of August 2024. The project is yet to be launched for sale and remains exposed to market risks. ICRA draws comfort from the Mantra Group's long track record of successful execution of projects in a timely manner and its strong sales track record in the Mundhwa micromarket. Considering the nascent stage of the project, the cash flow adequacy¹ is low at 12% as of September 2024 for Phase 1. The company plans to raise Rs. 35 crore of proposed NCDs for part funding of Phase 1 and is in discussion with the lenders for raising a construction finance debt of Rs. 180 crore for the project. The rating remains constrained by the geographical and asset concentration risks as well as susceptibility to cyclicalities in the real estate sector.

The Stable outlook on the rating reflects ICRA's opinion that the company will be able to achieve good sales velocity and adequate construction progress in the project, supported by the favourable location and development track record of the Mantra Group in Pune.

Key rating drivers and their description

Credit strengths

Established track record of Mantra Group in Pune market – The Mantra Group has a long track record of 15 years, having delivered around 18 residential real estate projects with a total area of around 4 msf till March 2024. The Group is developing 19 residential projects at present with a total development potential of around 7 msf. It has demonstrated healthy saleability in its ongoing projects.

¹ Committed receivables/ (Pending Cost+Debt Outstanding)

Favourable location of project – The project is located in Mundhwa, in Pune, and enjoys proximity to key city areas as well as social infrastructure such as schools, hospitals and airport. The favourable location and strong sales seen in the Group’s other projects in Mundhwa is expected to support its saleability.

Credit challenges

Exposure to execution and market risks given the nascent stage of the project – The project is in the nascent stage with only 5% of the total cost of Phase 1 incurred as of August 2024. The project is yet to be launched for sale and remains exposed to market risks. ICRA, however, draws comfort from the Mantra Group’s long track record of successful execution of projects in a timely manner and its strong sales track record in the Mundhwa micromarket. Considering the nascent stage of the project, the cash flow adequacy² is low at 12% as of September 2024, 2024 for Phase 1. The company plans to raise Rs. 35 crore of proposed NCDs for part funding of Phase 1 and is in discussion with the lenders for raising a construction finance debt of Rs. 180 crore for the project.

Exposure to geographical concentration risk – The company is exposed to high geographical and asset concentration risks, with a single ongoing project located at Mundhwa in Pune.

Exposure to cyclicity in real estate sector – The real estate business is cyclical and is highly dependent on macro-economic factors, which renders the company’s sales vulnerable to any downturn in demand.

Liquidity position: Adequate

The project cost of Phase I of Rs. 560.3 crore is proposed to be funded with a mix of proposed debt, promoter infusion and customer advances. The promoter has already infused Rs. 29.9 crore to meet the project-related expenses. The company proposes to raise an NCD of Rs. 35 crore of 9 years tenure with the redemption falling due in 9th year and is in discussion with the lenders for raising a construction finance debt of Rs. 180 crore for the project. As on September 30, 2024, the company had cash and liquid balances of around Rs. 1.5 crore.

Rating sensitivities

Positive factors – The rating may be upgraded in case of a significant and sustained growth in sales and collections of the project resulting in an improvement in cash flow from operations, debt protection metrics and liquidity of the company.

Negative factors – Significant delays in project execution leading to cost overruns or subdued collections impacting the cash flows from operations would be a credit negative. Additionally, weakening of linkages with the parent or deterioration in the credit profile of the parent could also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	ICRA expects the company’s parent, Mantra Properties and Developers Private Limited to extend extraordinary support to the company if need arises, given their financial linkages, strategic importance, and the parent’s reputation sensitivity to default
Consolidation/Standalone	The assigned ratings are based on the issuer’s standalone financial statements

About the company

Mantra Skyhomes Pvt Ltd was recently converted from Regency Mahavir Associates in April 2024. Its directors are Mr. Rohit Gupta and Mr. Ashish Gupta, who are promoters of the Mantra Group. The company is developing a residential-cum-

² Committed receivables/ (Pending Cost+Debt Outstanding)

commercial project at Mundhwa, in Pune, with a saleable area of around 1.5 msf spread across 10 acres and would be executed in two phases.

Key financial indicators

Not applicable for a project company

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					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Oct 28,2024	Date	Rating	Date	Rating	Date	Rating
Proposed NCD	Long Term	35.00	[ICRA]BB+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Proposed non-convertible debenture	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
Yet to be placed	Non-convertible debenture	NA	NA	NA	35.00	[ICRA]BB+ (Stable)

Annexure II: List of entities considered for consolidated analysis- Not applicable

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