

June 13, 2023

M3M India Private Limited: Rating downgraded; placed on rating watch with negative implication

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term Loan	282.66	282.66	[ICRA]BB-; rating downgraded from [ICRA]BBB (Stable) and placed on rating watch with negative implications
Long-term Non-fund based	12.50	12.50	[ICRA]BB-; rating downgraded from [ICRA]BBB (Stable) and placed on rating watch with negative implications
Long-term Fund Based – Overdraft	50.00	50.00	[ICRA]BB-; rating downgraded from [ICRA]BBB (Stable) and placed on rating watch with negative implications
Total	345.16	345.16	

*Instrument details are provided in Annexure-I

Rationale

ICRA has downgraded the ratings of M3M India Private Limited (M3M India) to [ICRA]BB- from [ICRA]BBB (Stable) and has placed the ratings on watch with negative implications. The rating action follows the arrest of M3M's director Mr. Roop Kumar Bansal by the enforcement directorate (ED) under the Prevention of Money Laundering Act, 2002. ICRA will monitor the impact of this development on the Group's performance, including outcome of the judicial proceedings, any adverse action by lenders and the resultant effect on the operations and financial flexibility of the Group.

The ED, vide a press release dated June 5, 2023, informed that searches were conducted on June 1, 2023 at premises of M3M Group and IREO Group. Subsequently, one of its directors —Mr. Roop Kumar Bansal—has been detained by the ED in connection with the investigation against IREO and M3M groups under the Prevention of Money Laundering Act, 2002. On June 9, 2023, ICRA has come to know from the company and its lenders, that the bank accounts of M3M India were inoperative (debit freeze). The company approached the honorable high court of Delhi to prohibit the ED from taking any precipitative action (quashing bank account freeze among others). ICRA is given to understand that Hon'ble High Court of Delhi issued an order on June 12, 2023 to de-freeze the bank accounts. However, bank accounts are yet to be operative.

M3M India has an outstanding standalone debt of Rs. 1,219 crore as on March 2023¹ with scheduled repayment obligations of around Rs. 350 crore in FY2024. The company has provided demand draft equivalent to the debt obligations to the lender to meet the immediate debt servicing obligations for the month of June 2023.

¹ As per provisional standalone financials shared with ICRA

Given the uncertainty around the event and lack of updated information from M3M group, ICRA will comment on the key rating drivers, liquidity position, rating sensitivities once the watch is resolved. The rating watch will be resolved once more clarity emerges on the likely impact of these developments on the Group's operations and financial flexibility.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities Rating outlook and Rating Watch
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation

About the company

M3M India Private Limited, formerly known as M3M India Ltd, was incorporated in March 2007 by Mr. Roop Kumar and Mr. Pankaj Bansal. The Group has presence across residential, commercial and retail segments of real estate and has a presence across multiple micro markets in Delhi-NCR.

Key financial indicators (audited)

M3M India Consolidated	FY2021	FY2022 [^]	FY2023 [^]
Operating income	1,643.9	1,552.6	662.2
PAT	-102.9	-172.1	-216.2
OPBDIT/OI	29.9%	25.2%	-1.1%
PAT/OI	-6.3%	-11.1%	-32.7%
Total outside liabilities/Tangible net worth (times)	3.98	2.4	2.8
Total debt/OPBDIT (times)	2.1	3.1	NM
Interest coverage (times)	1.9	1.7	NM

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; the above financial numbers and ratios reflect the analytical adjustments made by ICRA and may not be comparable with the reported financials; [^]FY2022 are standalone and [^]FY2023 are standalone (provisional); NM: Not meaningful as negative values

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current Rating (FY2024)					Chronology of Rating History for the past 3 years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Oct 31, 2022 (Rs. crore)	Date & Rating in		Date & Rating in FY2023			Date & Rating in FY2021
				Jun 13, 2023	with	Dec 12, 2022	Sep 30, 2022	Jun 11, 2021	-
1 Term loans	Long-term	282.66	282.66	[ICRA]BB-; watch negative implication	with	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
2 Non-Fund based limits	Long-term	12.50	-	[ICRA]BB-; watch negative implication	with	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-

3	Unallocated	Long-term	-	-	-	-	[ICRA]BBB (Stable)	-	-
4	Overdraft	Long-term	50.00	-	[ICRA]BB-; Rating watch with negative implication	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term Loan	Simple
Long-term Non-fund based	Very Simple
Long-term Fund Based – OD	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	Term Loan 1	FY2017	-	FY2025	137.98	[ICRA]BB-; Rating watch with negative implication
NA	Term Loan 2	FY2022	-	FY2024	144.68	[ICRA]BB-; Rating watch with negative implication
NA	Bank guarantee	NA	NA	NA	12.50	[ICRA]BB-; Rating watch with negative implication
NA	Overdraft	FY2019	NA	NA	50.00	[ICRA]BB-; Rating watch with negative implication

Source: Company

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

Annexure II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Adol Infratech Private Limited	100.00%	Full Consolidation
Afresh Builders Private Limited	100.00%	Full Consolidation
Benchmark Infotech Private Limited	100.00%	Full Consolidation
Bloosom Probuild Private Limited	100.00%	Full Consolidation
Bonus Builders Private Limited	100.00%	Full Consolidation
Consolidate Relators Private Limited	100.00%	Full Consolidation
Gama Buildwell Private Limited	100.00%	Full Consolidation
Generous Relators Private Limited	100.00%	Full Consolidation
Gentle Relators Private Limited	100.00%	Full Consolidation
Glory Infracon Private Limited	100.00%	Full Consolidation
Golden Gate Propbuild Private Limited	100.00%	Full Consolidation
Hans Propcon Private Limited	100.00%	Full Consolidation
High Rise Propbuild Private Limited	100.00%	Full Consolidation
Lavish Buildmart Private Limited	100.00%	Full Consolidation
Lekh Buildtech Private Limited	100.00%	Full Consolidation
M3M Construction Private Limited	100.00%	Full Consolidation
M3M Golf Estate Private Limited	100.00%	Full Consolidation
M3M Homes Private Limited	100.00%	Full Consolidation
M3M India Infrastructures Private Limited	100.00%	Full Consolidation
M3M India Projects Private Limited	100.00%	Full Consolidation
Moonlight Infracon Private Limited	100.00%	Full Consolidation
Nice Realcon Private Limited	100.00%	Full Consolidation
Rapid Infracon Private Limited	100.00%	Full Consolidation
Roshni Builders Private Limited	100.00%	Full Consolidation
Skyline Propcon Private Limited	100.00%	Full Consolidation
Union Buildmart Private Limited	100.00%	Full Consolidation
Zenith Realtech Private Limited	100.00%	Full Consolidation
M3M Residency Private Limited	100.00%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Olive Realcon Private Limited	90.00%	Full Consolidation
Manglam Multiplex Private Limited	26.67%	Full Consolidation^
Trigno Land Developers LLP	50.00%	Full Consolidation

Source: Company annual report FY2021; ^the debt is guaranteed by M3M India

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