

Manyata Promoters Private Limited

Instrument	Amount	Rating Action
Term Loan	Rs 504.0 crore	[ICRA]A-(SO) (Stable); upgraded from [ICRA]BBB(SO) (Stable)
Term Loan	Rs 188.0 crore	[ICRA]A-(SO) (Stable); upgraded from [ICRA]BBB(SO) (Stable)
Term Loan	Rs 250.0 crore	[ICRA]BBB+(SO) (Stable); upgraded from [ICRA]BBB-(SO) (Stable)

ICRA has upgraded the long-term ratings assigned to the Rs 504.0-crore and Rs 188.0-crore term loans of Manyata Promoters Private Limited (MPPL) to [ICRA]A-(SO) (pronounced as ICRA A minus Structured Obligation) from [ICRA]BBB(SO) (pronounced as ICRA triple B Structured Obligation). It has also upgraded the long-term rating assigned to MPPL's Rs 250.0-crore term loan to [ICRA]BBB+(SO) (pronounced as ICRA triple B plus Structured Obligation) from [ICRA]BBB-(SO) (pronounced as ICRA triple B minus Structured Obligation). The outlook on all the ratings is stable. An 'SO' rating is specific to the rated issue, its terms and its structure and do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The rating action takes into account the improvement in MPPL's operating and financial risk profile in FY2016 due to the addition of 1.45 msf of completed office space; the reduction in construction loans outstanding; the availability of unencumbered rental cash flows; and the presence of undrawn, sanctioned lease rental discounting (LRD) limits of more than Rs 500 crore, which will support the overall liquidity position of the company. Consequently, MPPL's leverage levels, as measured by the ratio of LRD loans outstanding over projected annual rental income, was comfortable at 3.5 times as on March 2016 and cash DSCR at the company level remains adequate. The liquidity profile is further enhanced by sanctioned and undrawn LRD limits of more than Rs 500 crore as on date. With the current ongoing construction being funded entirely out of the undrawn LRD limits, the extent of unencumbered rental income is expected to further increase, going forward. The ratings continue to take into account the healthy occupancy of 98% across all the completed assets; the reputed tenant profile comprising mainly of reputed multi-national companies; and the favourable location of the project on Outer Ring Road. The ratings also consider the strong promoter profile of the Embassy Group, which has strong operational capabilities in development, leasing and maintenance of commercial properties. The ratings draw comfort from the maintenance of three-month debt service reserve account (DSRA) to meet the debt obligations for all rated loans, helping to absorb short-term cash flow mismatches.

The ratings are, however, constrained by the modest cover of the escrowed rental income on the principal and interest obligations of the rated term loans, especially for the Rs 250-crore term loan, where a consistent shortfall of net rental receipts over the monthly debt obligation is expected. Any shortfall in the escrow accounts arising due to delayed rent remittances, interim vacancies, changes to interest rate or TDS, etc will need to be made good by the company. However, such shortfalls are generally lower than the DSRA maintained by the company for the rated loans and can be covered by the overall liquidity available at the company level. The ratings are also constrained by the high tenant concentration, with the top three clients occupying more than 53% of the total completed area of the company.

Going forward, the company's ability to maintain high occupancy levels and meet the stipulated timelines of rental receipts, along with the extent and mode of capex funding are some of the key rating sensitivities.

Company Profile

Manyata Promoters Private Limited (MPPL) is a joint venture between Embassy Group, Mr. Veeranna Reddy (land lord) and Blackstone Group. Embassy Group is a Bangalore-based real estate developer, promoted by Mr. Jitendra Virwani, operating mainly in the residential and commercial office segment of Bangalore. Since its establishment in 1985, the group has developed around 29 million sq ft of commercial and residential spaces in Bangalore, Chennai, Hyderabad and Pune.

In 2000, Manyata Promoters Private Limited (MPPL) developed a software technology park named "Embassy Manyata Business Park". Located on Outer Ring Road in Bangalore, this commercial property is spread over 112 acres of land, of which 65 acres is for SEZ development and the remaining 48 acres for STPI development. The project will have 11.5 million sq ft of commercial office space and supporting infrastructure facilities, of which 10.0 million sq ft has been completed and 98% leased out currently.



36% of MPPL's stake is held by Embassy Office Parks Private Limited – a joint venture between Embassy and Blackstone; 37% by Blackstone and 27% by Mr. Veeranna Reddy and his family members.

Recent Results

In FY2016, MPPL reported a net profit of Rs 63.0 crore on an operating income of Rs 588.0 crore (as per provisional financials). In FY2015, MPPL reported a net profit of Rs 32.8 crore on an operating income of Rs 503.6 crore.

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