

Mfar Developers Private Limited

Instrument	Amount	Rating Action
	In Rs. crore	October 2016
Long term – Term Loan	395.00	Provisional [ICRA]BBB(SO) (Stable) withdrawn
Long term – Term Loan	395.00	[ICRA]BB+ (Stable) assigned

ICRA has withdrawn the rating of Provisional [ICRA]BBB(SO) (pronounced as Provisional ICRA Triple B Structured Obligation)¹ with stable outlook assigned to the Rs 395.00 crore term loan of Mfar Developers Private Limited (MDPL). The assigned rating was provisional upon maintenance of Debt Service Reserve Account by MDPL within a stipulated timeframe. Since the company has not been able to meet the condition within the stipulated time period the outstanding rating of Provisional [ICRA]BBB(SO) stands withdrawn.

ICRA has also assigned the rating of [ICRA]BB+ (pronounced as ICRA Double B plus) to the Rs 395.00 crore term loan of MDPL. The outlook on the long term rating is stable.

Incorporated in 2008, MDPL owns and operates the *Mfar Manyata Tech Park (MMTP)* located on Outer Ring Road in Bangalore. MDPL has escrowed the lease rentals receivable from lessees occupying Phase I, II, III & IV of MMTP to avail the rated Lease Rental Discounting (LRD) term loans amounting to Rs 395.0 crore. The total leasable area in all the phases put together amounts to 1.043 million square feet (msf) of which is currently 98% is leased out to reputed lessees including Philips Electronics India Private Limited, AXA Business Services Private Limited, AXA Technologies Shared Services Private Limited and Monsanto Holdings Private Limited. These four tenants currently occupy 71% of the area in these blocks and also contribute 59% of the current gross monthly rentals. The rated LRD loan carries a floating interest rate linked to the lender's base rate. The loan is repayable in step up monthly installments with the final installment due in July'2027.

The assigned rating draws comfort from the favourable location & good connectivity of MMTP, being a part of Manyata Techpark which has healthy overall occupancy levels of over 98%, which mitigate the vacancy risks to some extent. ICRA rating further derive strength from the long lease tenures with low lease expiry for the next few years; moreover there is a lock in period in place for majority of the tenants providing long term visibility on the cash flows from the existing lease portfolio. The cover of the lease rentals over the scheduled EMIs is adequate for the rated LRD loans and is expected to improve with augmentation of lease rentals on commencement of rentals post the rent free period for few retail and office areas.

The rating is, however, constrained by the single property and high tenant concentration and consequent exposure to market risk in case of any vacancy / non renewal of leases. Nonetheless, these risks are partly mitigated by the profile of the tenants and the investments made by them towards fit outs. Moreover, the coverage ratios remain vulnerable to any changes in interest rates and tax deduction rates.

Company Profile

Mfar Developers Private Limited (MDPL) is a Special Purpose Vehicle incorporated on 8th July 2008 as a subsidiary of Mfar Holdings Private Limited (MHPL) for development of the remaining 4.5 acres (8 acres already developed) of land at Mfar Manyata Tech Park, Nagavara, Outer Ring Road, Bangalore. MHPL is the property development arm of the Mfar Group and act as a holding company for the group's real estate ventures. The land was acquired by MHPL under a joint development agreement (JDA) with Manyata Promoters Pvt Ltd with an area sharing proportion of 64%:36% respectively. Initially, the development of 8 acres under Phase I, II & III was completed by MHPL and the rights and obligations of the JDA were later transferred to MDPL. The 0.537 mn sft of developed area on 8 acre of land wherein MDPL has a share of 0.277 mn sft has been completely leased to multinational companies i.e. Philips Electronics India Private Limited, NXP Semiconductors India private Limited and Pace Micro Technology (India) Private Limited. MDPL has recently completed the Phase IV development of the remaining 4.5 acres of the land with a total development area of 1.039 mn sft including office space of 0.911 mn sft and retail space of 0.129 mn sft apart from car parking slots of 1248. MDPL's has a share of 0.752 mn sft in the total leasable area including 0.634 mn sft of office space and 0.118 mn sft of retail space. The project construction was started in December'2012 and was completed in June'2015 against the proposed completion by March'2014 due to design approval and

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



construction related delays. The phase-IV office space has been lease out to the companies Monsanto, AXA, Kodiak, Philips, Redknee, DSP and Autoliv. Of the 0.106 mn sft of retail space, agreements have been entered into for 0.088 mn sft with tie ups pending for 0.018 mn sft of leasable area.

Recent Results

For FY2016, MDPL reported a net loss of Rs. 1.79 crore on an operating income (OI) of Rs. 37.66 crore as compared to a net profit of Rs. 5.75 crore on an operating income of Rs. 16.24 crore for FY2015.

October 2016

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