



Manyata Promoters Private Limited

Instrument	Amount	Rating Action
	In Rs Crore	March 2015
Term Loans	250.0	Conditional [ICRA]BBB-(SO) (Stable) assigned

ICRA has assigned a Conditional **[ICRA]BBB-(SO)** (pronounced as Conditional ICRA Triple B Minus Structured Obligation)* rating with stable outlook to the Rs 250.0 crore term loan of Manyata Promoters Private Limited (MPPL). An 'SO' rating is specific to the rated issue, its terms and its structure and 'SO' ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The rating is conditional upon MPPL creating a Debt Service Reserve Account (DSRA) with the lenders equivalent to three months of debt servicing installments. Due to the creation of rental escrow mechanisms coupled with DSRA for the rated loan programme, the cash flows of the rated loan would be ring-fenced from the overall cash flows of MPPL; hence, the rating primarily factors in the cash flow adequacy for the rated loan alone and not those of the entity as a whole.

Incorporated in 2000, MPPL owns and operates the *Manyata Embassy Business Park* located on Outer Ring Road in Bangalore. MPPL has escrowed the lease rentals receivable from lessees occupying block F3 of the *Manyata Embassy Business Park* to avail the rated Lease Rental Discounting (LRD) term loan amounting to Rs 250.0 crore (outstanding of Rs 239.1 crore as on December 2014). This block has 0.7 million square feet (msf) of leasable area which is currently 100% leased out to a single tenant, Cognizant Technology Solutions India Private Limited (CTS). 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 May 2023.

The rating favourably factors in the reputed profile of the lessee who is an anchor tenant in the *Manyata Embassy Business Park*, the built-to-suit nature of the block, significant investments made by the lessee towards fitouts, track record of timely rent remittance, and the block's status as an SEZ. The lease agreement also provides for a lock in till 2018 post which the lessee has two renewal options of 5 years each. These factors are expected to offset the risks arising from the dependence on a single tenant for lease income. ICRA also draws comfort from the Embassy group's long track record in the development and leasing of commercial space in Bangalore, and the healthy overall occupancy levels of over 95% at *Manyata Embassy Business Park* aided by the attractive location of the project, which mitigate the vacancy risks to some extent.

The rating is, however, constrained by the modest cover of the net rentals (after tax deductions) over the monthly debt servicing installments (currently at 1.0x). The coverage indicators are expected to weaken further starting from 2017 and fall to 0.95x due to mismatch in escalation of the net rentals and monthly repayments. Moreover, the company's coverage ratios remain vulnerable to any changes in interest rates and tax deduction rates. Nonetheless, the rating draws comfort from the DSRA to be maintained by the company, and the ability of the promoters to bridge the shortfalls and top up the DSRA on a consistent basis.

In addition, the rating is constrained by overall weak financial risk profile of MPPL. Given the high level of indebtedness, MPPL's financial risk profile is stretched as indicated by NCA/TD of 4% and TD/OPBDITA of over 6x during FY14. As on March 2014, MPPL had total debt of about Rs 2,600 crore backed by cash accruals of only Rs 91 crore for FY14.

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



Company Profile

Manyata Promoters Private Limited (MPPL) is a joint venture between Embassy Group, Blackstone and Mr Veeranna Reddy (land lord). 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 completed development of around 29 msf of commercial and residential spaces in Bangalore, Chennai, Hyderabad and Pune.

MPPL was promoted in 2000 for the development of a software technology park. Located on Outer Ring Road in Bangalore, the commercial development is spread over 112.47 acres of land – with 64.7 acres for SEZ development and the remaining 47.7 acres for STPI development. The project envisages development of commercial office space of ~11.5 msf and supporting infrastructure facilities of which almost two-thirds (~8.0 msf) has been commissioned and ~95% leased out currently. MPPL has raised LRD debt by escrowing rentals from significant portion of the commissioned area and the proceeds from these LRD loans has been utilized to part-finance ongoing development at the project.

MPPL is held 36% by Pune Dynasty Projects Private Limited – a 100% subsidiary of Embassy Property Developments Private Limited, part of the Embassy group; 37% by private equity major Blackstone and 27% by Mr. Veeranna Reddy and his family members.

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