



Manyata Promoters Private Limited

Instrument	Amount	Rating Action
Term Loans	Rs 504.0 crore	[ICRA]BBB(SO) (Stable) assigned
Term Loans	Rs 553.9 crore	[ICRA]BBB-(SO) (Stable) withdrawn

ICRA has assigned a rating of [ICRA]BBB(SO) (pronounced as ICRA Triple B Minus Structured Obligation)* to the Rs 504.0 crore term loan of Manyata Promoters Private Limited (MPPL). The rating carries a stable outlook. 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. ICRA has also withdrawn the rating of [ICRA]BBB-(SO) assigned to the earlier Rs 553.9 crore term loan of MPPL as the facility has now been closed and there is no amount outstanding against it.

Due to the creation of rental escrow mechanisms coupled with Debt Service Reserve Accounts (DSRA) for the rated loan programmes, the cash flows of the rated loans would be ring-fenced from the overall cash flows of MPPL; hence, the rating primarily factors in the cash flow adequacy for the rated loans alone and not those of the rated 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 blocks D4, F2 and E1 of the *Manyata Embassy Business Park* to avail the rated Lease Rental Discounting (LRD) term loans amounting to Rs 504.0 crore (current outstanding of Rs 504.0 crore). These blocks have a cumulative 1.44 million square feet (msf) of leasable area which is currently 100% leased out to reputed lessees including Cognizant Technology Solutions India Private Limited (CTS), IBM India Private Limited (IBM India) and IBM Daksh Business Process Private Limited (IBM Daksh). These three tenants currently occupy 90% of the area in these blocks and also contribute 90% of the current gross monthly rentals from the area. The balance area is leased to tenants such as Atlas Compco, Mavenir Systems and Stylus Commercial, apart from multiple tenants who occupy the food court of ~0.05 msf area. The rated LRD loan carries a floating interest rate, currently at 10.8%, linked to the lender's base rate. It is repayable in 110 monthly installments ending in September 2024.

The reassigned rating takes into account the improved cover of the monthly rental receipts over the monthly installments. Post refinancing of the earlier Rs 553.9 crore term loans (with amount outstanding of Rs 421.9 crore), there has been reduction in the monthly debt servicing obligations. Whereas under the earlier structure, certain portion of the loan was expected to be unamortized at the end of the tenor; there are no shortfalls expected under the current structure. The lease periods of the major tenants (including the lease renewal options) would extend almost till the loan maturity and thereby mitigates vacancy risks to a large extent as these tenants enjoy competitive rental rates through the renewal options. Moreover, CTS and IBM are two of the largest tenants in *Manyata Embassy Business Park* and have incurred significant capex towards fit-outs, which increases the switching costs. The Embassy group has a 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 also mitigate the vacancy risks to some extent.

The rating is, however, constrained by MPPL's dependence on timely remittance of lease rentals from lessees in order to meet its debt servicing obligations – such risks are accentuated given the high lessee concentration since 52% of the leased area is occupied by a single lessee – CTS - and 39% by IBM India and IBM Daksh together. However, ICRA takes comfort from the track record and reputation of the lessees and history of timely rent remittance. Moreover, the presence of DSRA with 3 months of debt servicing obligations serves to partly mitigate risks of delays in rent remittance by lessees. ICRA

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



expects that the lender will recover shortfalls, if any, of monthly rentals over debt servicing obligations by utilizing the DSRA amount.

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 12% and TD/OPBDITA of close to 5x during FY15. As on 31st March 2015, MPPL had total debt of about Rs 2,119 crore backed by cash accruals of only Rs 265 crore for FY15.

Company Profile

Manyata Promoters Private Limited (MPPL) is a joint venture between Embassy Group 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 112.5 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 leasable area and supporting infrastructure facilities of which almost two-thirds (8.4 msf) has been commissioned and more than 95% leased out currently.

MPPL is held 36% by Embassy Office Parks 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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