Rating Rationale

Brickwork Ratings assigns "BWR BB" to the proposed Bank Loan Facilities of M1 Properties

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the proposed Bank Loan Facilities amounting to **Rs.20.00 Crores** of **M1 Properties** (*"M1P" or "the Concern"):*

Proposed Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Term Loan	**20.00**	**Long Term**	**BWR BB (Pronounced BWR Double B) Outlook: Stable**
Total	**20.00**	**(INR Twenty Crores only)**	

BWR has essentially relied upon the Concern's audited financial results upto FY15, provisional performance during FY16, projected cash flows, publicly available information and the information/clarifications provided by the Concern.
The rating assigned draws strength from the experienced and professional management team and locational advantages of the ongoing projects. However, the ratings are constrained by the limited track record of operations of the concern, pending financial closure for the project, exposure to the intense competition in the residential real estate business, high reliance on customer advances, project execution risks and cyclicality inherent in the real estate sector.

As the rating is for 'proposed' bank loan facilities, BWR has assumed standard terms & conditions that lenders stipulate for such loans, including, but not limited to, tenure of term loan of around 5 years, release linked to project construction progress, commencement of repayment after reasonable moratorium period and expected stable financial performance of the concern.

Background:

M1 Properties is a proprietorship concern established in March 2013 at Bangalore. M1P is engaged in property development. Mr. Prasad Musunuri is the proprietor of the concern. Currently, M1P is engaged in developing luxury/ultra luxury villas in Bangalore. M1P is part of the Bangalore based M1 group which has diversified presence in wealth advisory services, property development and philanthropy through its group entities viz., M1 Advisory, M1 Homes and M1 Foundation. The M1 Group also has presence in United States & Middle East. M1P markets its properties under the brand 'M1 Homes'. The ongoing projects of M1 Properties in Bangalore are Terra Alegria - Whitefield East End, Antaliea Homes - Thanisandra and M1 Aureus - Whitefield. Prior to this, the M1P was engaged in marketing of Brick Field Shelters (BFS – Luxury villas) located off Hosur road (near Electronic City) Bangalore on exclusive marketing basis, which was constructed by AMR group.

Projects Overview:

Terra Alegria is a high end gated villa project in Whitefield, Bangalore. The land is owned by the proprietor. It comprises 103 villas spread across 7.50 acres, with four types of villas ranging

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

from 1505 sq. ft. to 2245 sq. ft. per villa. The project was launched in December 2015 to be developed in a phased manner over a period of 4 years. Currently 27 units have been booked out of 103 units for which the Company has received advances amounting to Rs 14 Crores as of December 2015.
The total cost of project is Rs. 96.06 Crores. This project cost is expected to be funded by the proposed term loan of Rs. 20.00 Crores, proprietor's capital of Rs. 9.00 Crores and customer advances of Rs 67.06 Crs . Construction of villas is in progress and the company plans to hand over the villas by March 2020.

The Company is also constructing two other villa projects viz. Antaliea Homes and M1 Aureus. Antaliea Homes is a Strategic Alliance Villa project with 122 units, located at Thanisandra, Bangalore being developed over 8 acres and 20 guntas. Out of 122 units, M1P's share is 73 units. Currently 26 units have been booked. The construction is expected to be completed by December 2017. M1 Aureus is a Villa project with 29 units, located at Whitefield, Bangalore being developed over 3 acres and 2 guntas. Currently 3 units have been booked. The construction is expected to be completed by March 2019.

Management:

Mr. Sivarama Krishna Prasad Musunuri is the proprietor and has experience of around 17 years in business development, project management, real estate and banking.

Financial Performance:

Project implementation is in progress and revenue is yet to be recognized for the ongoing projects.M1P reported net revenue from operations of Rs 0.87 Crs and profit of Rs 0.15 Crs for FY 15. On a provisional basis, revenue of the concern stood at 1.59 Crs and PAT of Rs. 0.30 Crs. The revenue currently being recognised is the commission earned from the marketing of the BFS project developed by AMR group. Proprietor's capital stood at Rs 2.23 Crs as on March 31 2015. The concern has not yet raised debt from banks.

Rating Outlook:

Currently, the rating outlook remains stable. Going forward, early approval of the proposed bank loan facilities, timely receipt of all required approvals, execution of the projects within the estimated time and costs, efficient marketing of the saleable units, timely debt servicing and effective management of cash flows will be the key rating sensitivities.

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