

Rating Rationale

Brickwork Ratings Up-grades from BWR BBB- (SO) to ‘BWR BBB(SO)’ [BWR Triple B (Structured Obligation)] rating to Mantri Technology Constellations Pvt. Ltd.’s Bank Loan Facilities of ‘Mantri Manyata Lithos – Bangalore’ project aggregating to ₹ 185 Cr & assigns a Rating of ‘BWR BBB- (SO)’ for its ‘Mantri Euphoria – Hyderabad’ project of ₹ 100 Cr.

Brickwork Ratings (BWR) has up-graded rating from **BWR BBB- (SO) to BWR BBB (SO)** [Pronounced BWR Triple B (Structured Obligation)] (**Outlook: Stable**) for Mantri Technology Constellations Pvt. Ltd.’s (MTCPL or ‘Company’) Bank Loan Facilities of “Mantri Manyata Lithos – Bangalore” project aggregating to ₹ 185 Cr (INR Eighty Crores only) and assigned a rating of **BWR BBB- (SO) (Outlook: Stable)** for its “Mantri Euphoria – Hyderabad” project of ₹ 100 Cr. Further, the rating of BBB (SO) for the NCD facility of ₹ 80 Cr, for the ‘Mantri Manyata Lithos’ project is also reaffirmed.

Outstanding Ratings:

Information about the outstanding ratings of the Company is as under:

Instruments	Rated Amount (₹Cr)	Rating	Assigned/ Reaffirmed	Tenor	Rating History
Term Loan@ – Project: “Mantri Manyata Lithos – Bangalore”	185	BWR BBB(SO) (Stable)	<i>Up-graded</i>	42 months	BWR BBB-(SO) (Stable) March 2013
Secured NCD “Mantri Manyata Lithos – Bangalore”	80	BWR BBB (SO) (Stable)	<i>Reaffirmed</i>	36 months	BWR BBB (SO) (Stable) August 2014
Term Loan# – Project: “Mantri Euphoria – Hyderabad”	100	BWR BBB-(SO) (Stable)	<i>Assigned</i>	30 months	--

@ Lender: ₹ 100 Cr - Vijaya Bank; ₹ 85 Cr – Proposed

Lender: Bank of India

The suffix (SO) to the Ratings indicates the influence of the structure comprising of repayment mechanism with escrow of all cash flows from the identified receivables with reference to each project, linked to sale of specific residential units.

MTCPL is currently developing three real estate projects, viz., “**Mantri Manyata Lithos**” residential project in Bangalore, “**Mantri Euphoria**” villa project in Manchirevula Village, Hyderabad and “**Mantri Signature**” a residential project in East Coast Road, Chennai. BWR has assessed only the two projects in Bangalore and Hyderabad and the third project in Chennai has not been considered for the Rating exercise. BWR has taken note of the terms and conditions stipulated by the lenders including, but not limited to, disbursement conditions, security and escrow mechanism, etc., and has factored that there would be no comingling risk of funds among the three projects.

The rating, inter alia, factors the reputation and project execution track record of the ‘Mantri’ group, substantial funds infusion from Promoters and from a Private Equity Group, premium positioning of the ‘Mantri Lithos – Bangalore’ and ‘Mantri Euphoria – Hyderabad’ Projects considering the location of the projects and public response to the launch. However the rating is constrained by limited information available on the Group’s financials as it does not publish consolidated financials, moderate completion stages of the projects, normal project execution risk, and marketing risk in view of premier positioning, which is dependent on economic developments and local issues at each location.

Overview

Mantri Developers Pvt. Ltd. through its SPV Mantri Apartments Pvt Ltd. (MAPL) has floated MTCPL to undertake specific real estate development projects across Bangalore, Chennai, and Hyderabad. MTCPL was incorporated in 2007 and MAPL holds 50.23% and Xander Investment Holding XXIII Ltd (Xander) holds 46.58% in the Company and the rest is with Xander group companies. The Group has strategic investments from Morgan Stanley Real Estate Fund, Xander and ASK Property Investment Advisors Pvt. Ltd. (ASK).

Mantri Group has completed 26 projects with 15.53 mn sq. ft. development, involving mainly residential and retail space. The Group is also expanding its footprints in Chennai, Hyderabad and Pune. There are 15 on-going projects in Bangalore, three each in Chennai and Hyderabad, and two in Pune. The Group also provides post-sales service through its Prop-care division, which provides services such as property management & maintenance, rentals and resale assistance.

Management

Mr. Sushil Mantri is the Promoter of the Group. The Board of Directors for MTCPL includes Mr. Sushil Mantri, Mr. S Baaskaran, Mr. Rohan Sikri, Mr. Ram Reddy, Mr.

Amit Bhushan and Mr. Jayant Goel – out of six, four members are acting as a Directors of the Company. Mr. Bhushan and Mr. Goel are independent directors. Mr. Sikri and Mr. Reddy represent Xander Investment Holding XXIII Ltd.

Details on the First Project – “Mantri Manyata Lithos – Bangalore”

The residential project “Mantri Lithos” is located near Hebbal Ring Road, Bangalore and the site is adjacent to the well-known Manyata Embassy Business Park. The project is having JDA with Manyata Realty, a partnership firm owning the land. Land area presently being developed admeasures 6.08 acres, with saleable area of 9,01,440 sft, spread over 528 apartments. The estimated cost of the project is Rs.314.38 Cr, to be funded with Debt/Term Loan of ₹ 185.00 Crs, Promoters’ contribution of ₹ 81.57 Cr, and sales collection of ₹ 97.81 Crs.

The JDA stipulates 61:39 sharing ratio. Hence, out of 528 apartments to be constructed, MTCPL will get 322 units, and Manyata Realty 206 units. MTCPL has already entered into a buy back arrangement of about 123 units out of the 206 flats (belonging to Land Owner’s share), and the NCD of Rs 80 Crs has already been raised exclusively for this purpose. At present, the Company has sold about 45% of the total flats (237 units) and has achieved completion status of ~30-35% of construction. Out of the sold units, amount collected is ~Rs 92 Crs till Mar’15 with a sale value of ₹ 262 Crs.

Details of the Second project – “Mantri Euphoria – villas in Hyderabad”

The residential project “Mantri Euphoria” is located near Manchirevula Village, in the outskirts of Hyderabad. Land area is 18 acres, saleable area of 5,47,390 sft, total villas of 151, MTCPL’s share is 126 villas. The estimated cost of the project is ₹ 237.47 Crs. The Project is funded with Term Loan of ₹ 100.00 Crs, Promoters’ contribution of ₹ 54.13 Crs, and sales collection of ₹ 83.34 Crs. The Developers’ share of 126 villas (84:16) constitutes saleable area of 429,410 sq. ft. Out of the total area ~ 15% (23 units) villas has been sold so far with a sale value of ₹ 59 Crs. The project construction work of ~50% has been completed so far.

The other villa project “Mantri Signature” is located ECR Chennai and it is a villa project. Land area admeasuring 14.65 acres, saleable area of 383,793 sft, total villas of 83, MTCPL’s share is 70 villas. The estimated cost of the project is Rs.210.34 cr. The Project is funded with Term Loan of ₹ 100.00 cr, Promoters’ contribution of ₹ 99.82 cr, and sales collection of ₹ 10.52 cr. BWR has not considered the said project to assign the rating.

Financials

As per the audited financials FY14, MTCPL, has nil revenue from operation and net loss of ₹ 5.01 cr. The tangible Net-worth of the Company stood at ₹ 19.93 cr, and Total Borrowings is at ₹ 414.74 cr. Of the total borrowings, ₹ 349.90 Crs are in the form of compulsorily convertible debenture (CCD). The debentures are interest free for a period of 48 months from the date of issue and thereafter they carry an interest rate of 15% p.a. payable quarterly. For FY13, revenue from operation was nil, net loss of ₹ 1.20 cr, tangible net-worth ₹ 24.94 cr and Total Borrowings ₹ 360.34 cr.

As per provisional financials for FY15, MTCPL, has recorded revenues of ₹ 94.09 Cr with PAT of ₹ 13.98 Cr. The company follows percentage completion method for recognizing revenues.

Rating Outlook

At present both the projects (Lithos & Euphoria) have reached moderate level of construction and debt has more or less been tied up. Funding the promoters' contribution as per banks' sanction terms, and ability to bring in funds in case of cost escalation in the projects would be key rating sensitivities. Timely completion of its ongoing projects without any time and cost overrun and the ability to sell the unsold units in a highly competitive scenario at envisaged prices, and prudent management of debt liability remain key rating sensitivities for the Company.

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