

Rating Rationale

Brickwork Ratings assigns ‘BWR BBB (SO)’ for Mantri Technology Constellations Pvt. Ltd.’s proposed NCD Issue aggregating ₹ 80 Cr

Brickwork Ratings (BWR) has assigned the **Rating¹ BWR BBB (SO)** [*Pronounced BWR Triple B (Structured Obligation)*] with **Stable Outlook** for Mantri Technology Constellations Pvt. Ltd.’s (MTCPL or ‘Company’) NCD Issue of ₹ 80.00 Cr (INR Eighty Crores only) having **tenor up to three years**.

The suffix (SO) to the Rating indicates the repayment mechanism with escrow of all cash flows from the identified receivables, linked to sale of specific apartments. The proceeds of the facility will be utilized solely towards the purchase of identified units from Manyata Realty having saleable area of 200,225 Sq. Ft. in ‘Mantri Lithos’ project of the Company, location advantage, and booking status of the ‘Mantri Lithos’ project. MTCPL is a Mantri Group company and in addition to the above mentioned project the Company is executing two other projects, ‘Mantri Signature’ in East Coast Road (Chennai) and ‘Mantri Euphoria’ in Gachibowli (Hyderabad). The structure rating takes into account that the SPV has no commingling risk of fund flows among the 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’ Project considering the location of the project 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, nascent stage of the project, the total funding requirement for the project is yet to be fully tied up, normal project execution risk, and marketing risk in view of premier positioning, which is dependent on economic developments. The proposed NCD has high IRR with flexible payment structure.

Overview

Mantri Developers Pvt. Ltd through its SPV Mantri Apartments Pvt. Ltd. (MAPL) has floated MTCPL to undertake 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 49.77% in the Company. The Group has strategic investments from Morgan Stanley Real Estate Fund, Xander and ASK Property Investment Advisors Pvt. Ltd. (ASK).

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

Mantri Group has completed 26 projects with 15.53 mn sq. ft. development. The Group is also expanding its footprints in Chennai, Hyderabad and Pune and other asset class. There are 15 on-going projects in Bangalore plus 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. Siddharth Yog – all four as Directors of the Company. Mr. Sikri and Mr. Yog represent Xander Investment Holding XXIII Ltd.

Details on the Project for which NCD is being raised

The residential project “Mantri Lithos” is located near Hebbal Ring Road, Bangalore and the site is adjacent to the reputed 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.451.06 Cr, to be funded with Debt/Term Loan of Rs.265 Cr, Promoters’ contribution of Rs.98.76 Cr, and sales collection of Rs.87.29 Cr.

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 now planning to buy back about 123 units out of the 206 flats (belonging to Land Owner’s share), and the proposed NCD amount will be exclusively used for this purpose.

Details of other projects

The residential project “Mantri Euphoria” is located near Manchirevula Village, Hyderabad. Land area admeasuring 18 acres, saleable area of 5, 64, 880 sft, total villas of 151, MTCPL’s share is 126 villas. The estimated cost of the project is Rs.276.23 cr. The Project is funded with Term Loan of Rs.100.00 Cr, Promoters’ contribution of Rs.47.87 Cr, and sales collection of Rs.128.39 Cr.

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 69 villas. The estimated cost of the project is Rs.210.34 Cr. The Project is funded with Term Loan of Rs.100 Cr, Promoters’ contribution of Rs.99.82 Cr & sales collection of Rs.10.52 Cr.

Proposed NCD issue and salient features

The proposed NCD issue of Rs80 Cr with a tenure up to 3 years, will be primarily utilized towards purchase of Identified Units from Manyata Realty having saleable area of 200,225 sq. ft. in “Mantri Lithos” project, A first ranking, irrevocable charge over the Secured Assets comprise: Sale Receipts & all contracts, insurances (if any) and all amounts due to or received or receivable by the Company in connection with the identified units under a deed of hypothecation transaction accounts, and all monies lying to the credit of such accounts in favor of the Debenture Trustee pursuant to the Deed of Hypothecation; and any other properties and assets of the Company Identified on which a Security Interest may be created in favor of the Debenture Trustee to secure the NCDs. The coupon rate is 20% p.a. with flexible payment structure. Furthermore NCD tenure has minimum lock in period of six months and a maximum tenor of three years from the deemed date of allotment.

IL&FS Trust Company Limited would act as Debenture Trustee. The terms of agreement between the issuer and the investors has also specified the method and the time for meeting the payment obligations and define the security, rights of the debenture holders/investors, and the powers of the Debenture Trustee.

Financials

As per the provisional financials FY 14, MTCPL, has nil revenue from operation and net loss of Rs1.47 Cr, The tangible Net-worth of the Company stood at Rs23.47 Cr, and Total Borrowings is at Rs399.00 Cr, of the total borrowings Rs349.90 Cr 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 Rs1.20 Cr, tangible net-worth Rs.24.94 Cr and Total Borrowings was Rs360.34 Cr.

Rating Outlook

Timely completion of its ongoing project 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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