



Rating Rationale

30 Nov 2022

Metropolitan Lifespace Real Estate Developers Pvt. Ltd.

Brickwork Ratings reaffirms ratings for the Non-Convertible Debentures (NCD) of Rs.401.59 Crores of Metropolitan Lifespace Real Estate Developers Pvt. Ltd.

Particulars:

Instrument**	Amount (Rs. Crs.)		Maturity Date	Tenure	Rating*	
	Previous	Present			Previous (23-Nov-2021)	Present
NCD	401.59	401.59	31-Mar-2024	Long Term	BWR BB- (Stable) Reaffirmed	BWR BB- (Stable) Reaffirmed
Total	401.59	401.59	INR Four Hundred One Crores & Fifty-Nine Lakhs Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

**Details of NCD is provided in Annexure-I

O/S Issue amount as on quarter ended 21-Nov-2022 stood at Rs.208.81 Crs. out of the total rated issue amount of Rs.401.59 Crs.

BWR has principally relied upon the audited financial results up to FY22 and publicly available information and other submitted information/clarification provided by the company's management.

RATING ACTION / OUTLOOK:

Brickwork Ratings (BWR) reaffirms the ratings of Non Convertible Debentures amounting to Rs.401.59 Crs. of Metropolitan Lifespace Real Estate Developers Pvt. Ltd. (hereafter referred to as "MLRDPL" or the Company). The rating reaffirmation factors the y-o-y traction in flat sales (albeit at a lower than expected pace), established track record of developers in whose projects the company has invested, group pedigree and the flexibility of the company in terms of repayment of NCD based on availability of the cash flows. The rating continues to reflect the MLRDPL's exposure to project-related risk, inherent risks and cyclicity of the real estate sector in India.

The company had raised funds through multiple NCDs amounting to Rs.537.59 Crs. and BWR had assigned the rating to the NCDs amounting to Rs.401.59 Crs. (O/s issue amount was Rs.208.81 Crs. as on 21-Nov-2022).

BWR believes that the company's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.



Description of Key Rating Drivers:

Credit Strengths:-

- **Established position with reputed promoters and developers:** The company is owned by two entities; IPF II Singapore 5 Pte. Ltd and IPF II Singapore 6 Pte. Ltd. These entities are part of the offshore fund which is managed by Apollo Management Singapore Pte. Ltd, which is a reputed private equity firm. The developers in whose projects MLRDPL has invested have a strong experience in the real estate industry and established project execution capabilities. MLRDPL has invested in 307 units spanning across five projects out of which 4 projects have received the occupancy certificate (OC).
- **Favourable redemption terms of the Debentures:** While there are quarterly redemption dates, the all series of NCDs are redeemable only if sufficient cash flows are available from the sales of flats. If on any redemption due date, there are no cash flows for the Redemption of the Debentures, the redemption installment (payable on such redemption due date) would be payable on the next redemption due date. Maturity date/Redemption date can be postponed as per mutual agreement providing flexibility in repaying the NCD.
- **Uptick in Cash flows:** In the last three quarters ended 30 September 2022, the company recorded free cash flow to equity of Rs.70.14 Crs. and further projecting a Rs.54.20 Crs. free cash flow to equity for remaining two quarters of FY23. The company also redeemed NCDs with a series of payment of Rs.256.00 Crs. from the available cash after retaining for expenses. As on 30 September 2022, MLRDPL has sold a total of 182 flats as against the 142 flats sold during the last rating exercise.

Credit Risks:-

- **Concentration Risk:** Of the total 307 units expected to be sold, $\frac{1}{3}$ of the flats are part of one project (Bestech Altura) which has not received OC till date and so not a single flat has been sold yet. The construction of the project has been delayed on account of Covid-19 pandemic. The project is completed and has applied for the O.C. in Oct'22. The project has been pre launched and the sales of the company's unit is expected to commence from Dec-2022.
- **Lower than Projected Cashflows:** During the last rating review, For FY-23 the company projected the free cash flow of around Rs.190.66 Crs. but due to industry slowdown the company reduced the projection to Rs.97.41 Crs. for FY-23. During 1HFY23 the company recorded inflow of Rs.45.59 Crs. against the Outflow of Rs.2.38 Crs. and free cash flow of Rs.43.21 Crs. which is around 44.36% of the current projections for the FY-23. Moreover, the company also recorded free cash flows to equity of Rs.70.14 Crs. Crs. in the last 3 quarters i.e. Q4FY-22, Q1FY-23 and Q2FY-23.
- **Vulnerability to risks and cyclicity inherent in the real estate sector:** The projected cash flows remain exposed to risks inherent to the real estate sector in India which is cyclical, highly fragmented and subject to volatile prices. Any slowdown in the real estate market and / or any delay in project implementation will affect sales and in turn impact projected cash flows.



Analytical Approach

BWR has adopted a Standalone approach while arriving at its ratings. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Sensitivities:

Positive: Sustained improvement in sales and corresponding improvement in cash flows in line with projections resulting in quarterly redemption of NCDs.

Negative: Non-achievement of projected cash flows, material delay in receipt of OC for the remaining project.

Liquidity (Adequate): The liquidity of MLRDPL is adequate in relation to its scale of operations and debt. As on 30-Sep-2022, current account and escrow account bank balance (RERA) together is Rs.19.21 Crs. The Company has fully repaid its existing bank debt and the NCD has to be redeemed as and when surplus cash flow is available.

About the Company

MLRDPL, incorporated in April 2015, having its registered office in Mumbai is promoted by IPFII Singapore 5 Pte. Ltd. The group has invested in various real estate projects in India. The directors of the company are Ms. Pui Kei Chung, Mr. Timothy Joseph Grady, Mr. Ian Alexander Cohen & Mr. Anugraha Mundra.

Key Financial Indicators:

Key Parameters	Units	2022	2021
Result Type		Audited	Audited
Operating Revenue	Rs. Crs.	224.49	149.70
EBITDA	Rs. Crs.	-10.22	-7.53
PAT	Rs. Crs.	-67.70	-71.86
Tangible Net worth	Rs. Crs.	58.43	52.07
Total Debt/Tangible Net worth	Times	4.14	8.52
Current Ratio	Times	9.28	1.21

*Both the company and the instrument are not listed with any of the exchanges. Moreover, the company has not prepared quarterly financials and so 1HFY23 financials are not available. However, the company has provided projections in the form of a cash flow statement and according to which During 1HFY23 the company recorded an inflow of Rs.45.59 Crs. against the Outflow of Rs.2.38 Crs. and free cash flow of Rs.43.21 Crs. which is around 44.36% of the current projections for the FY-23.



Key Covenants of the Instrument Rated:

The NCDs are raised to primarily invest in/co-develop the five projects namely, Bestech Altura, Jai Vijay, Kanakia Paris, Aparna Elina & Auris Serenity. These are zero coupon debentures. The NCD has an amortization structure wherein no amortization is possible for the first year. Second year onwards there is a stage wise amortization schedule with cumulatively up to 30% of the outstanding face value of the debentures for the 2nd year, cumulatively up to 60% of the outstanding face value of the debentures issue for the 3rd year and there are no restrictions on the amortizations post the same. These are limits on the maximum amortizable possible on the NCDs in the initial years. The amortization on NCDs is subject to the availability of the cash flow as per the terms of the NCDs. If on any amortization due date, there are no cash flows for the amortization of the debentures, the amortization installment (payable on such amortization due date) would be payable on the next amortization due date.

Project Details:

Bestech Altura (Bestech Group): The project is developed on a 9.6-acre land parcel with a total saleable area of ~ 1.2 million sq. ft. The project is conceptualized as a mid to upper-mid income apartment development of ~ 520 units with apartments ranging from 2,015 sq ft to 2,150 sq ft saleable area for 3 BHK Units and 2,675 sq ft for 4 BHK units. The project is located in Sector 79, Gurugram which is very well connected to the airport, all the important commercial hubs and prime sectors of Gurugram via National Highway 8 (NH-8). As per MLRDPL, the project is completed and Bestech has applied for the O.C. The project has been pre launched and the sales of Company's unit is expected to commence from Dec 2022.

Jai Vijay (Kolte Patil): The project is developed on a 2.2-acre land parcel with a total built up area of ~ 345,000 sq. ft. The project is a society redevelopment project located in Vile Parle, Mumbai. The project is conceptualized as a mid to upper-mid income apartment development of ~ 258 units with apartments sizes from 710-1,620 sq. ft of saleable area for 1-2- 3-bedroom units. Of the 258 units, 112 units (all 3-bedroom units with saleable area of 1,620 sq ft) would be allocated to the society members. The balance 146 units comprising a mix of 1-2-3-bedroom units with saleable area of ~160,000 sq ft would be available as sale units. The occupancy certificate has been received and all the company's units are sold.

Kanakia Paris: The Project entails the development of 7 towers, each having 20 habitable floors with 3 levels of basement and stilt. The product mix comprises 2-bedroom, 3-bedroom (compact) and 3-bedroom (large) units ranging from 1,274 sq. ft to 2,244 sq. ft of saleable area with 463 units. The project is located at BKC Bandra, Mumbai developed by Kanakia Spaces Pvt. Ltd. which is a 100% subsidiary of Kanakia Group. The OC has been received for all the seven towers and 29 company's units are sold till date (out of total 51 company's units).

Aparna Elina: This project in Bengaluru comprises a single tower with 2 wings of 20 floors having a total 152 Luxury apartments. The product mix comprises 3 & 4 BHK and 8 penthouses with units ranging from 1,910 sq. ft to 5,310 sq ft of saleable area. The project is situated at Malleswaram Extension, Yeshwanthpur. The construction of the project was completed in August 2017. The OC has been received and all 39 company's units are sold.

Auris Serenity: The project is developed by Sheth Creators, located on Link Road Malad (West), Mumbai. The project has 2, 3 and 4 BHK luxury apartments. The OC has been received and all the 57 company's units are sold.



Rating History for The Previous Three years [Including Withdrawal and Suspended]:

Instrument	Current Rating (2022)			Rating History		
	Type (Long Term/ Short Term)	Amount (Rs. Crs.)	Rating	23, Nov, 2021	23, Oct, 2020	25, Oct, 2019
NCD	Long Term	401.59	BWR BB- (Stable) Reaffirmed	BWR BB- (Stable) Reaffirmed	BWR BB- (Stable) Reaffirmed	BWR BB- (Stable) Reaffirmed
Total		401.59	INR Four hundred one crores and fifty-nine lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-N.A.

Any other information: NIL

Complexity Levels of the Instruments: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria - Rating of Real Estate - Residential Projects](#)

For any other criteria obtain hyperlinks from website

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Metropolitan Lifespace Real Estate Developers Private Limited

ANNEXURE I

Instrument (NCD) Details

Instrument	Issue Date	Amount in (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars
NCD I Series 1	13.07.2015	47.75	Zero Coupon	31/03/2024	INE029T08123
NCD II Series B	09.12.2015	70.00	Zero Coupon	31/03/2024	INE029T08131
NCD III Series C	31.05.2016	175.00	Zero Coupon	31/03/2024	INE029T08149
NCD IV Series D	12.08.2016	108.84	Zero Coupon	31/03/2024	INE029T08156

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