

## Rating Rationale

### Brickwork Ratings assigns ‘BWR BBB- (SO)’ for the Bank Loan Facilities of ₹ 212.37 Cr of Abhishek Developers

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities of ₹ 212.37 Cr of Abhishek Developers

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Term Loan (Rent Receivable Loan Facility)</b>	<b>212.37</b>	<b>Long Term</b>	<b>BWR BBB- (SO)</b> [BWR Triple B Minus (Structured Obligation)]  <b>Outlook: Stable</b>
<b>Total</b>	<b>212.37</b>	<b>(Rupees Two Hundred and Twelve Crores and Thirty Seven Lakhs Only)</b>	

The suffix (SO) to the Rating indicates that the rating takes into account the availability of corporate guarantee of Mantri Developers Pvt. Ltd (MDPL), flagship company of the Group, escrow mechanism put in place for capturing cash-inflows, as also the assurance by the guarantor to fund any short-fall three working days before the due date (T minus 3 structure).

The rating, inter alia, factors experience and track record of the promoters, established brand name of “Mantri” in the Bangalore Real Estate market, favorable location of the Mall with expected direct Metro connectivity, high profile tenants, popularity with shoppers and high foot-falls. The rating is, however, constrained by related party transactions, inadequacy of cash-inflows to meet debt servicing obligation and dependency on MDPL to meet the short-fall, and general commercial real estate risk, which is influenced by overall economy.

#### **Overview- Abhishek Developers**

Established in 2007 as a partnership-firm, and promoted by Mr Sushil Mantri, Abhishek Developers is engaged in development of realty projects. It has successfully completed the Mantri Greens – residential apartments in 2008 and ‘Mantri Square’ Mall in March 2010, located in Sampige Road, Malleswaram, Bangalore. The leasable area of the mall is 0.9 mn Sqft, and the built up area is about 1.7 million sq feet. There are 5 shopping levels

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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(G+4) and 3 basements (7 level parking). The mall is in operation since March 2010, and currently has 100% occupancy rate. There are about 250 retail outlets, with International, National, and local retail brands. The mall has a 1,000 seater food court, and 250,000 sft entertainment and movie zone. It averaged ~ 1.4million footfalls per month since opening, and has received ~13 awards till now.

Hamara Shelters Private Limited (HSPL) holds 99% of capital (MDPL in turn holds 99.99% in HSPL) and MDPL holds 1% in the Abhishek Developers. However the profit sharing ratio MDPL and HSPL is 99.99% and 0.01%. Hence, for all purposes and intent, MDPL is the ultimate owner.

### **Mantri Group**

MDPL is the flagship company of the Sushil Mantri Group. The Group has ~ 45 firms/companies, which are SPVs of Mantri Developers Pvt. Ltd. The Group has completed 23 projects in Bangalore developing ~10.5 mn sq. ft. saleable area. The Group is also expanding its presence in tier 1 cities such as Chennai, Hyderabad and Pune. It has development rights on large land bank of ~2,810 acre and development potential of ~ 256 million sq. ft. There are 10 on-going projects in Bangalore plus 1 each in Chennai, Hyderabad and Pune. The Group also provides post-sales service through its Prop-care division. It has strategic investments from Morgan Stanley Real Estate Fund, Xander and ASK Property Investment Advisors Pvt. Ltd. (ASK)

### **Management**

Mr. Sushil Mantri is the Chairman & Managing Director of MDPL. The Board of Directors for MDPL includes Snehal Mantri, Rajesh Omkarnath Malpani, Pratik Sushil Mantri, Craige Anthony Pearce (Morgan Stanley Group), and Shirish B Godbole(Morgan Stanley Group).

### **Financial highlights of MDPL**

As per the Provisional Financials for FY13, the net operating revenue of the Company has increased by 22.26% from Rs. 369.96 Crs in FY 12 to Rs 452.33 Crs in FY 13; furthermore the profit after Tax (PAT) margin has increased to 20.81% in FY 13 from 11% in FY 12, due to operating efficiency. The net profit after tax stood at Rs 94.12 Crs during FY13 as compared to Rs 40.71 Crs in FY12. As on 31<sup>st</sup> March 2013, the net-worth of MDPL stood at Rs 1688.49 Crs which includes revaluation reserves, and Debt/Net-

worth was at 0.49. Plaza Agencies Private Limited, a Sushil Mantri family company, holds 74.26% of the equity, GSS III Rose Investment Inc. a Morgan Stanley group Company, holds 17.46% in the Company, and Malpani family holds 8.25%.

### **Bank Facility of Abhishek Developers**

This rating covers the outstanding bank loan facility of Rs 212.37 Crs in the nature of term loan facility with Andhra Bank. Furthermore, Abhishek Developers also has outstanding term loan from Punjab National Bank for Rs 385.96 Crs, and OD facility of Rs 100 Crs. It also has a term Loan outstanding from Bank of Baroda of Rs 27.15 Crs which was availed for setting up wind mills at Hassan.

### **Financials of Abhishek Developers**

The Mall is let out to various tenants on varied terms, like fixed rent, revenue sharing mode with a floor, etc., apart from collecting common maintenance charges. There is very good demand for space in the Mall, and currently, it has 100% occupancy. As per Audited financials, Abhishek Developers has clocked Operating revenue of Rs 224.35 Crs in FY13, up 102% from Rs 110.91 Crs in FY 12. The sources for the revenue include lease rent received from tenants of the Mall, sale of power from the wind mill, and revenue from Common Area Management. The Firm has registered a net profit of Rs 35.49 Crs in FY 13 against Rs 4.43 Crs in FY12. As of FY 13 the total net-worth stood at Rs 682.70 Crs, which includes revaluation reserve. The total debt has decreased and stood at Rs 797.94 Crs as compared to Rs 845.29 Crs in FY 12. As of FY 13, the Related Party transactions included investments of Rs 161.12 Crs and loans and advances of Rs. 170.21 Crs extended. This means, the Group has monetized future cash-inflows of the Mall for deployment in various projects of the Group.

On an average, the net rent receivables from the Mall including other income will not be sufficient to meet the total debt obligation including interest payable. Therefore, MDPL has provided Corporate Guarantee to take care of shortfall along with T-3 funding structure. MDPL has borrowed funds from Abhishek Developers, which, anyway, it has to repay. Further, MDPL is not only the flagship Company of the group, but also a guarantor, and has cash-flows coming from various projects would be available to it, to bring in funds when required.

## Rating Outlook

Mantri Square Mall has favorable location advantage and enjoys high occupancy levels, along with reputed tenant-mix. Average foot-fall is high, which can be expected to go up further with the upcoming Metro connectivity. Flow of regular rental income from the tenants, timely renewal of leases, and the renewal lease terms are the key monitorables. Also, as the rental income itself is not adequate to meet the full debt servicing obligations, support from the parent company MDPL, which has borrowed funds from AD for group activities, by way of timely funding, is a key rating sensitivity.

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