



Press Release

Mahaprabhu Residency LLP

September 30, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facility	Rs. 115.00 crore	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Total	115.00 (INR One hundred and fifteen crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Mahaprabhu Residency LLP (MRL) derives strength from satisfactory execution track record of the group with established partner group, funding tie-ups for under construction project “Harmony Harikesh” and favourable location of the project. The rating also favourably factor improvement in the moderate project cost structure and satisfactory booking level, maintenance of DSRA and escrow account for routing the revenue of the project. However, these rating strengths are constrained due to project concentration risk, project implementation risk, exposure to risks relating to cyclicity in real estate industry partnership nature of constitution.

Key Rating Sensitivities:

Upward Factors

- Improvement in the collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations

Downward Factors

- Weaker-than-anticipated sales performance and lower-than-expected collections which may lead to increased funding risk would be a negative trigger.
- Lower than expected booking status



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Satisfactory execution track record of the group with established partner group

The promoters have a satisfactory record of executing residential and commercial real estate projects for two decades. The group has completed 33 projects with a total built up area of 76.46 lac sq.ft. till date and 10 projects in pipeline which are expected to be completed by FY 2025.

Funding Tie-ups for under construction project Harmony Harikesh

The loan for the project has been tied up which will be disbursed in part wise disbursement till FY25. The amount of term loan is ~30% of the total construction cost. The repayment will be done in FY26, which provides some cushion as well.

Favourable location of the projects

The project is located in Ahmedabad with upper class locality have good marketability feature. The project is in the vicinity of local market with easy accessibility to railway station and airport. The project is 20 km away from Kalupur Railway Station & 18 km from the Airport. It is well connected to major roads of the city, hospital, schools and market places.

Moderate project cost structure & favourable saleability

The total cost envisaged to the project is Rs. 379.82 crore, which is projected to be met through partner's contribution of Rs. 64 crore and unsecured loan of Rs. 68.50 crore considered as quasi equity as the same is subordinated to debt, term loan of Rs. 115 crore and customer advances of Rs. 132.36 crore. The loan amount to total cost of the project is ~30%, while the promoters' fund and other funds constitute ~70%. Debt equity ratio of the project is 0.87x. The promoters have already infused Rs. 102.97 crore which is ~78% of the total proposed funding as on August 16, 2022 including unsecured loan considered as quasi equity. Also, the advances received from the customers against booking is Rs.27.44 crore.

The bookings opened in the current fiscal, and the firm has managed to sell 127 units out of the 348 (3 and 4 BHK) units which is almost ~36% of the total saleable units till August 10, 2022. The total area sold is 40% of the total saleable area.



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Maintenance of DSRA and Escrow Account

The revenue of the project will be routed through an escrow account maintained with the bank. The withdrawals from account will be as per the predefined waterfall mechanism giving priority to debt obligations and last to operational expenses. The firm is required to maintain a DSRA equivalent to three months interest and principal repayments which imparts additional comfort over the repayments of interest/debt. The repayments of the term loan will be done in FY26 within a span of 12 months.

Key Rating Weaknesses

Project concentration risk

The firm remains exposed to substantial project concentration risks, given the dependence on the cash-flows from a single project.

Project Implementation Risk

The projects “Harmony Harikesh” are in their initial construction stage which indicate a high degree of project implementation risk. However, the Harmony and Times group has vast experience in real estate sector which imparts some comfort.

Exposure to risks relating to cyclicity in real estate industry

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realisation and saleability. This may impact the debt servicing ability of the company. M/S Smart developers will remain susceptible to the inherent cyclicity in the real estate sector.

Partnership nature of constitution

Given MRL’s constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:



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[Rating Methodology for Real Estate Entities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The firm is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings. In addition, availability of escrow mechanism along with DSRA/ISRA account will ensure the smooth repayments. Further, the firm is likely to benefit from the resourcefulness of the partners’ group. Overall liquidity position is expected to be adequate.

About the Firm

Ahmedabad based Mahaprabhu Residency LLP (MRL) incorporated in 2019 and engaged in the business of construction, development and sale of residential and commercial properties and its related activities. MRL is a part of the “Harmony and Times Group” of Ahmedabad which had completed around 33 projects till date with a total build up area of 76.46 lakh sq ft. Moreover, the group is currently working on 10 different residential and commercial project, apart from MRL, having total construction area of 78.76 lakh sq. ft. with combined project size of around Rs. 886 crore.

MRL had recently started one residential project (the only project under this SPV) “Harmony Harikesh” having total saleable carpet area of 53,905 sq. meter. The project consists total 348 units (3BHK & 4 BHK units). The total cost envisaged to the project is Rs.379.86 crore.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31.03.2021	31.03.2022
	Audited	Provisional
Total Income	17.60	-
EBIDTA	0.33	-
PAT	0.23	-
Total Debt	-	-
Tangible Net Worth	60.63	99.66
EBDITA Margin (%)	1.89	-
PAT Margin (%)	1.31	-
Overall Gearing Ratio (x)	-	-



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**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CARE Rating has moved the rating of Mahaprabhu Residency LLP into the Issuer Non-Cooperating category in view of the non-availability of information and lack of cooperation from the company as per the Press Release dated July 18, 2022.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	115.00	IVR BBB-/ Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2026	115.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Mahaprabhu-sep22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.