Marathon Realty Private Limited

April 9, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	355.00	IVR BBB-/ RWDI (IVR Triple B Minus; Rating Watch with Developing Implications)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating placed on watch with developing implications	Simple
Total	**355.00 (Rs. Three Hundred Fifty Five crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has placed the ratings under "Ratings watch with developing implications" following the announcement about demergers of some projects of Marathon Realty Private Limited (MRPL) into its wholly owned subsidiary Marathon Nextgen Realty Limited (MNRL).

The announcement by MNRL with respect to outcome of meeting of the Board of Directors held on March 31, 2025 for approval of composite scheme of Amalgamation and Arrangement amongst Matrix Water Management Private Limited (MWMPL), Sanvo Resorts Private Limited (SRPL), MRPL, Matrix Enclaves Projects Private Limited (MEPPL), Matrix Land Hub Private Limited (MLHPPL), MNRL, Maraton Energy Private Limited (MEPL) and respective shareholders and creditors under a scheme or draft scheme prepared by BDO Valuation Advisory LLP.

According to the scheme, the Demerged, which inter-alia includes transfer of various projects of MRPL including projects situated at Lower Parel, Bhandup and Panvel, to the MNRL and also the Demerged, which includes transfer of a project of MRPL situated at Dombivli, Thane through the transfer of partnership interest of MRPL in Marathon Ener-gen LLP, to wholly owned subsidiary of the Company i.e. MEPL. However, this is subject to statutory and regulatory approvals.

Reaffirmation of ratings assigned to the bank loan facilities of MRPL continues to derive strength from long track record of the group in real estate sector, strategic project location, steady flow of lease rentals, expected moderate cash flow coverage ratio during the tenure of the loan on the back of strong booking and maintenance of DSRA and Escrow mechanism. However, these rating strengths are partially offset by geographically concentrated revenues, cyclical nature of the real estate industry and uncertainty related to finalization of unleased portion.

Key Rating Sensitivities:

Upward Factors

- Timely receipt of the lease rentals
- Renewal of upcoming expiring lease at higher than present rates along with more favourable terms leading to generation of more than expected cash surplus
- Progress of the project as per schedule within the stipulated cost
- Scheduled sale of flats and adequate cash flow generation.

Downward Factors

- Non- renewal/ fresh tie-ups at competitive rates upon the expiry of lease tenor/termination of lease agreement with any of the tenants leading to reduction in occupancy rates and/or cash surplus
- Any cost or time overrun in completing the ongoing projects
- Weaker-than-anticipated sales performance and lower-than-expected collections/ customer advances leading to cash flow mismatches.
- Any company related and/or external factor leading to less than projected cash flows will lead to a rating downgrade.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and strong group**

  MRPL is flagship company of Marathon Group. The promoters have a long track record in the real estate industry, with more than 30 years of experience. The Marathon group has developed around 5 million square feet (msf) in more than 80 projects spanning across different segments of real estate in the Mumbai Metropolitan Region (MMR), with currently around 2 msf of commercial space under development and around 18 msf of land under development in the MMR.

- **Strategic location of the project**

  MRPL's project, Marathon FutureX and Mafatlal Chambers, is in Lower Parel, Mumbai, which is one of the prime and well- established residential and commercial locations with good connectivity through railways and roadways. It is centrally located at the busy junction of Lower Parel and Curry Road. The other projects i.e. Marathon Monte Carlo is located in the Mulund, Mumbai, which is also favourable locations.

- **Steady flow of lease rentals**

  MRPL has leased out its units of Marathon Futurex with 73,071 sq ft carpet area and units of Mafatlal Chambers with 55,466 sq ft carpet area to various reputed brands/ corporates/ companies and receives steady cash flow in the form of monthly lease rentals. The lease agreement ranges between 5-10 years. The location of the building premises is in close proximity to railways & bus station which is an added advantage for gaining demands.

- **Expected moderate cash flow coverage ratio during the tenure of the loan on the back of strong booking**

  MRPL is expecting moderate cash flow coverage ratio FY25-FY27. MRPL is projected to have moderate cash cover to service its debt obligations as evidenced by the above unity cash flow coverage ratio of the project throughout the projections. The expected improvement in cash flow coverage is driven by steady execution of projects with the expected improvement in sales velocity along with an increase in per sq. ft. sales price.

- **Maintenance of DSRA and Escrow mechanism**

  As per the terms of sanction, there is an escrow account mechanism in place as per which all rent receivables are to be directly deposited into the escrow account and utilized first for debt servicing before release of any surplus cash flows. The presence of an escrow mechanism provides comfort in the form of restricting cash flow fungibility. Furthermore, MRPL maintains debt service reserve account (DSRA) equivalent to three months interest & instalment.

Key Rating Weaknesses

- **Geographically concentrated revenues**
  All of the past and ongoing projects of the group is located in Mumbai, Maharashtra which exposes the company to geographical concentration risk. Any adverse movement in the regional real estate market can impact the overall operations of the company.

- **Cyclical nature of the real estate industry, subject to regulations**
  The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The sector is also subject to multiple regulatory approvals from respective authorities; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

- **Uncertainty related to finalization of unleased portion**
  MRPL is dependent on timely rent remittance by the lessee to meet its debt servicing obligations. Also, the company's ability to rope in a potential tenant at the earliest for its vacant space has to be ascertained. Further, the unleased portion creates uncertainty to the projected cash flows.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Entities
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Lease Rental Discounting (LRD) - Rating Methodology

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The project under development by MRPL is funded by a combination of debt, customer advances and promoter funds. MRPL is projected to have comfortable cash cover to service its debt obligations as evidenced by above unity cash flow coverage ratio of the project throughout the projections.

The cashflows from operations shall be adequate to service the monthly obligations, aided by rental income. The lease rental discounting loan has an escrow mechanism which prioritizes debt repayment before any other utilization and is also backed by DSRA equivalent to 3 months of the interest payments. MRPL maintains cash and cash equivalent amounting to Rs.10.90 crore as on March 31, 2024 (P) (period refers from April 1,2023 to March 31, 2024).

About the Company

MRPL was incorporated in the year 1994. The Marathon group is a 50-year-old Mumbai-based real estate development company and has completed over 80 projects and has presence across Mumbai Metropolitan Region (MMR) with a total of over 25 million sq ft of land under construction and 2 million sq. ft. of business spaces under development. MRPL is engaged in real estate development. MRPL and Marathon Nextgen Realty Limited (MNRL) (rated as IVR BBB-/ Stable dated October 31, 2023 and MRPL is having holding of ~74% shares) have together executed a commercial project named as 'Marathon FutureX'. 'Marathon Futurex' has received OC and offices are operational. Mafatlal Chambers is one of the commercial projects developed by MRPL and located next to Marathon FutureX. MRPL has completed a commercial project named as 'Marathon Monte Plaza' located in Mulund, Mumbai. MRPL currently has only one project under construction named as 'Marathon Monte Carlo'.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	294.83	191.99
EBITDA	94.44	49.99
PAT	19.82	-11.57

Total Debt	1494.89	1566.97
Tangible Net Worth	287.96	277.76
EBITDA Margin (%)	32.03	26.04
PAT Margin (%)	5.01	-3.81
Overall Gearing Ratio (x)	5.19	5.64
Interest Coverage (x)	0.58	0.30

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security /Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					July 01, 2024	--	--
1.	Term Loan (LRD)	Long Term	355.00	IVR BBB-/ Rating Watch with Developing Implications	IVR BBB-/ Stable	--	--

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About Infomerics:

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan (LRD)	-	-	-	March 2039	355.00	IVR BBB-/ Rating Watch with Developing Implications

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Marathon-Realty-apr25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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.