



Press Release
MAGNITE DEVELOPERS PRIVATE LIMITED
February 20, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1000.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	1000.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Acuite BBB-**' (read as **Acuite triple B minus**) on the Rs. 1000.00 Cr proposed bank facilities of Magnite Developers Private Limited (MDPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the long-standing experience and established track record of Solitaire group for more than 4 decades in the real estate business. The group has a history of constructing more than 10.5 million sq. ft of area. Rating also factors the healthy cashflows position and accordingly comfortable DSCR well supported by high sales booking to the extent of 74 percent with just 14.9 percent of construction cost been incurred in the 5 projects which are considered for the rating exercise. The rating further factors in the cashflows support from the land Sale deals in SPV's and JDA with Godrej Properties Limited which will be escrowed to repay the debt obligations. Acuite understands that the outstanding NCD with an IRR of around 22 percent amounting Rs.1038 crore would be refinanced with the help of bank debt with an interest rate of 12.5 to 13 percent. Hence, this refinancing is expected to ease down the burden of interest payment significantly. However, the rating is constrained by the execution risk associated towards timely project completion and construction cost, as the total construction cost incurred till Nov 2023 stands at 14.9 percent. The rating also factors in the risk associated towards inherent cyclicity in the real estate industry, regulatory risk and intense competition from other large players. Given that the financial closure of refinancing is yet to happen, Acuite will closely monitor the financial closure for any changes in the financial terms impacting cashflows positions.

About Company

Incorporated on January 5, 2022, Magnite Developers Private Limited (MDPL) is part of the Solitaire and VTP group engaged in real estate development at Pune, Maharashtra. The company in March 2022 had launched a residential project namely "VTP Bellissimo" in Pune.

About the Group

The Solitaire group is promoted by Mr. Ashok Dhanraj Chordia and has been in the business of real estate development in Pune for almost four decades. The group is engaged into construction of real estates in which affordable residential housing are constructed under VTP brand, whereas the premium residential housing and commercial projects are constructed under Solitaire brand. The group has successfully completed and delivered various residential and commercial projects in Pune city with total aggregating area of around 10.5 million sq. ft. collectively.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the rating, Acuite has consolidated the cashflows of the below mentioned SPVs as they must escrow their cashflows from the projects being executed by such SPVs as mentioned in the draft term sheet of the proposed banking facility.

The Obligors and Co-Obligors for the proposed banking facilities are as follow.

Magnite Developers Private Limited (MDPL), Ashdan Township Ventures Private Limited (ATVPL), Mahalunge Land Developers Private Limited (MLDPL), Built To Live Realty LLP (BTLRLLP), Integrated Business Ecosystem Pvt Ltd (IBEPL), Mahalunge Real Estate Developers Pvt Ltd (MREDPL), Baner Land Developers LLP (BLDP)

Key Rating Drivers

Strengths

Experienced promoters with established track record of operations in the industry

Magnite Developers Private Limited (MDPL) is a part of Pune based Solitaire group which is the business of real estate construction. The group is currently promoted by Mr. Ashok Chordia and Mr. Atul Chordia, having an experience of almost 4 decades in the industry. The group has an established track record of construction in affordable housing, premium housing, and commercial projects across Pune, Maharashtra with total aggregate area sold of more than 10.5 million sq. ft. collectively. Further the group also enjoys the established presence in the rising real estate market of the city, which will help in the saleability of the projects under the construction.

Acuite believes that the established track record along with the extensive experiences of the promoters in the industry will be key strength for the group in successfully executing the projects.

Healthy cashflows from the ongoing projects under consideration

The group is expected to receive healthy cashflows from the projects currently being executed in MDPL and its various SPV's/Co-obligors namely IBEPL, BLDP and MREDPL. As of Nov 2023, MDPL along with its SPV's have sold around 74 percent of its saleable area, for a total sales consideration amount of Rs.3477 crore. The group has already received Rs.997 crore for the same and is expected to receive balance amount over the time. Further it is also estimated to receive Rs.1263 crore from the unsold inventory under the various SPV's projects considered. Additionally, MREDPL and IBEPL have entered into a land sale agreement for a total sales value consideration of Rs.497 crore which will be routed to master escrow account to service the term loan as mentioned in the draft term sheet. Other co-obligors of the group ATVPL, BTLRLLP and MLDPL have entered JDA with Godrej Properties Limited for constructing two township projects namely Mahalunge Township and Manjri Township. The group is expected to receive Rs.677 crore from this JDA. Cashflows from this projects/ land sale of the Obligor's/co-obligors are to be escrowed for the repayment of the proposed banking facility as mentioned in the draft term sheet.

Acuite believes that the healthy sales and collection efficiency along with the cashflows from the land sale deal and JDA projects would be positive for the group.

Weaknesses

Execution risk related to timely completion and budgeted construction cost.

The company MDPL along with its SPV's are executing various projects which are currently at the different phases of construction. Timely completion of the projects would be key monitorable for the company and its SPV's, as any delay in such would lead to high cost for the company. As of November 2023, 14.9 percent of the construction costs had been incurred across the projects. As most of the construction cost remains to be incurred, any

increase in such cost will lead to lower profitability and cashflows for the companies, affecting the debt serviceability for the company.

Acuite believes that any time or cost over run in the projects will affect the debt serviceability of the projects.

Susceptibility to Real Estate Cyclical, Regulatory Risks and intense competition in the industry

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players. Furthermore, the group would continue to remain exposed to intense competition from larger players in city like Godrej Properties Limited, Kolte Patil Developers etc.

ESG Factors Relevant for Rating

Corporate governance factors are highly material for the real estate industry. Regulatory compliance, board oversight and business ethics are key governance matrices for this industry. Moreover, corruption risks in real estate activities, shareholders' rights, board diversity & independence, financial audit & control and board & management compensation have significant impact on the governance performance of real estate companies. Labor management particularly such as employment quality, employee safety, training & development, are significant social factors in the real estate business. Additionally, the other key material social issues are community support & development, product quality & responsibility and human rights. The activities of a real estate entity have a moderate impact on the environment that include material issues such as energy, water efficiency and waste management.

Rating Sensitivities

- Acuite has rated the proposed banking facility on basis of the draft term sheet. Any changes in the final sanction letter impacting the cashflows and DSCR will remain a key rating sensitivity.
- Any mismatch in the projected cashflows thereby affecting the DSCR and repayment of proposed banking facility.
- Timely completion of the project without any cost and time overrun as projected.
- Timely sale of unsold inventory and realisation of customer advances.

Liquidity Position

Adequate

MDPL and its SPV's/co-obligors are funded by the combination of debt as well as promoters fund. Further, the group has already sold nearly 74 percent of its inventory for the projects under consideration. The customers advances/payments against the same sold inventory will be a major source of cashflow for the group's construction cost, which is yet to be incurred. MDPL had issued an NCD worth Rs.1200 crore and then by the way of ICD's the funds were infused in the various projects of SPV's and JDA with Godrej Properties Limited. All the SPV's are currently debt free except MDPL. The group as on 30th September 2023 had cash and bank balance of around Rs.170 crore. MDPL along with its co-obligors is expected to have adequate cash cover to service its debt obligations as evidenced by DSCR of more than unity of the projects under consideration. Further, the company will need to create a DSRA equivalent of two quarterly repayments of principal and interest as mentioned in the draft term sheet, which will be an additional cushion for the debt serviceability.

Acuite believes that the liquidity of the company is likely to remain adequate to repay the proposed banking facility.

Outlook : Stable

Acuité believes that the outlook on MDPL will remain 'Stable' over the medium term on the back of experienced promoters and strong brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected cash flows for early completion of the project and prepaying the debt. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected collections from the sales leading to stretch on its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1139.52	77.03
PAT	Rs. Cr.	(109.09)	(29.51)
PAT Margin	(%)	(9.57)	(38.31)
Total Debt/Tangible Net Worth	Times	(11.42)	68.83
PBDIT/Interest	Times	0.67	0.79

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1000.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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