Mapsko Builders Private Limited

July 06, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based term loan	360.0	242.0	[ICRA]B+ (Stable); reaffirmed
Long-term fund-based working capital	9.0	10.0	[ICRA]B+ (Stable); reaffirmed
Long-term non-fund based limits	29.0	30.0	[ICRA]B+ (Stable); reaffirmed
Long-term unallocated limits	2.0	118.0	[ICRA]B+ (Stable); reaffirmed
Total	**400.0**	**400.0**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) assigned to the Rs. 252-crore long-term fund-based limits, Rs. 30-crore long-term non-fund based limits, and Rs. 118-crore[1] unallocated limits of Mapsko Builders Private Limited (MBPL)[2]. The outlook on the long-term rating is Stable.

Rationale

The rating reaffirmation takes into account the demonstrated track record of promoters of infusing funds to support the cash flows of the company for construction of projects and repayment of debt. The promoter's unsecured loans increased from Rs. 50 crore in FY2017 to Rs. 80 crore in FY2018. Further, the rating is supported by the healthy booking status of the company. As on March 31, 2018, MBPL achieved booking for 82% of the saleable area having sale value of around Rs. 1,825 crore. The company collected Rs. 1,530 crore from its customers with around Rs. 296 crore yet to be received. The pending collections lend some visibility to the cash flows for the near-to-medium term. However, ICRA notes that Rs. 75 crore of the collections out of the total collections of Rs. 128 crore in FY2018 was from project, Mapsko Royal Ville & Paradise. Thus, going forward, the company's ability to ensure pick up in collections from other projects will be a key monitorable. In addition, the rating factors in the established position of MBPL in the real estate and low exposure to approval risks for its ongoing projects.

The rating, however, is constrained by MBPL's high debt repayment obligation over the near-to-medium term and slow incremental sales in most of the projects. MBPL has around Rs. 84 crore of repayment in FY2019 and Rs. 71 crore in FY2020, which in the absence of adequate sales and collections from customers will keep the cash flows under pressure, thereby necessitating reliance on promoter support. Furthermore, MBPL recorded slow incremental sales in most of the projects in FY2018, except Mapsko Royal Ville & Paradise. The five other projects of the company together generated only 27% of the total sales in the backdrop of muted demand for real estate, leading to lower-than-expected collections. Hence, MBPL's ability to achieve incremental sales of the balance un-booked area of 1.59 mn sq ft (out of which 1.49 mn sq ft is in projects that have seen slow sales) and to ensure adequate collections from sales booked will be key rating sensitivities.

Going forward, adequate sales and timely collections from customers to moderate the reliance on promoters in the backdrop of high debt repayments and timely execution within the budgeted cost would remain key monitorables.

[1] *100 lakh = 1 crore = 10 million*

[2] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

Outlook: Stable

ICRA believes that MBPL will be able to maintain its financial profile aided by continued promoter support and stable collections and low pending cost in its ongoing projects. The outlook may be revised to Positive if the company is able to reduce the debt levels as well as improve the debt maturity profile in the near-to-medium term. The outlook may be revised to Negative in case of lower-than-expected cash collections from customers, leading to pressure on the cash flows of the company given the upcoming high debt repayment obligations.

Key rating drivers

Credit strengths

Healthy booking status in MBPL's ongoing projects: As on March 31, 2018, MBPL achieved booking for 82% of the saleable area, i.e 7.07 mn sq ft, of sale value of around Rs. 1,825 crore. Further, the company collected Rs. 1,530 crore from its customers but is yet to receive around Rs. 296 crore. This provides moderate visibility to the cash flows in the near-to-medium term.

Moderation in execution risk: With no major launches in the recent past and five out of six ongoing projects receiving Occupation Certificate (OC), the exposure to execution risk has moderated for the company.

Demonstrated track record of timely infusion of funds by the promoters: The promoters have demonstrated their track record of infusing funds in the business to support the project construction and debt repayments. The promoter's funds increased to Rs. 50 crore in FY2017 and further to Rs. 80 crore in FY2018 from Rs. 32 crore in FY2015.

Credit challenges

Substantial debt repayments in near term: MBPL has around Rs. 84 crore of repayment in FY2019 and Rs. 71 crore in FY2020, which in absence of adequate collections from customers will keep the cash flows under pressure, thereby increasing the reliance on promoter support.

Slow incremental sales in FY2018: Notwithstanding the healthy booking status, the incremental sales in most of the project remained slow in FY2018. Most of the sales in FY2018 were driven by Royal Ville and Paradise. With limited unsold inventory pending in this project, incremental sales in other projects would remain critical for the company.

Marketing risk: Exposure to marketing risk for the company remains high amid slowdown in the Gurgaon real estate sector. The marketing risk is further accentuated as 1.49 mn sq ft out of the total 1.59 mn sq ft inventory remains unsold in the projects which witnessed slow sales in FY2018.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology
Rating Methodology for Real Estate Entities

About the company

Mapsko Builders Private Limited (MBPL) is a mid-sized real-estate developer that was incorporated in January 2003. It is a part of the Krishna Apra Group, which was set up on March 13, 1997, by Mr. Amrit Singla (Director, Apra Builders Ltd.) and Jai Krishan Estate Pvt. Ltd. Mr. Amrit Singla is the Chairman-cum-Managing Director of MBPL.

The company is developing six projects having about 8.6 mn sq ft, out of which around 0.13 mn sq ft is towards commercial projects. The balance is towards residential projects. Geographically, the company's projects are concentrated in Gurgaon and Sonepat, both in Haryana.

In FY2017, the company reported a net profit of Rs. 7.3 crore on an operating income (OI) of Rs. 196.4 crore compared with a net profit of Rs. 9.2 crore on an OI of Rs. 161.9 crore in the previous year.

Key financial indicators (audited)

	FY2016	FY2017
Operating Income (Rs. crore)	161.9	196.4
PAT (Rs. crore)	9.2	7.3
OPBDIT/OI (%)	11.61%	5.98%
RoCE (%)	3.55%	3.21%
Total Debt/TNW (times)	1.79	1.42
Total Debt/OPBDIT (times)	17.75	23.42
Interest Coverage (times)	6.61	2.57
NWC/OI (%)	284%	211%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating July 2018	Date & Rating in FY2018 May 2017	Date & Rating in FY2017 -	Date & Rating in FY2016 -
1	Term Loan	Long Term	242.0	164.0	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	-
2	Fund-based Working Capital Limit	Long Term	10.0	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	-
3	Non-fund Based Limit	Long Term	30.0	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	-
4	Unallocated	Long Term	118.0	-	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	Nov 2015	-	Sep 2020	78	[ICRA]B+ (Stable)
NA	Term Loan 2	Dec 2014	-	Jan 2019	40	[ICRA]B+ (Stable)
NA	Term Loan 3	Aug 2017	-	Feb 2020	50	[ICRA]B+ (Stable)
NA	Term Loan 4	Mar 2014	-	Jul 2026	25	[ICRA]B+ (Stable)
NA	Term Loan 5	May 2016	-	May 2031	9	[ICRA]B+ (Stable)
NA	Term Loan 6	May 2018	-	Nov 2020	30	[ICRA]B+ (Stable)
NA	Car Loans	-	-	-	10	[ICRA]B+ (Stable)
NA	Overdraft Limit	-	-	-	10	[ICRA]B+ (Stable)
NA	Bank Guarantee	-	-	-	30	[ICRA]B+ (Stable)
NA	Unallocated Limits	-	-	-	118	[ICRA]B+ (Stable)

Source: MBPL

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