

October 01, 2024

Signature Elite Developers: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term Loan	53.00	53.00	[ICRA]BBB (Stable); Reaffirmed
Total	53.00	53.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation of Signature Elite Developers (SED) factors in the expected improvement in the collections and adequate cash flow adequacy for the project. SED's collections are estimated to increase around 30%-35% in FY2025 (PY: Rs. 26 crore) supported by improvement in sales velocity leading to improvement cash flow from operations and adequate leverage with Total Debt/CFO in the range of 3.0-3.3 times as of March 2025. The company has adequate committed receivables of Rs 40.2 crore against the pending construction cost of Rs 11.4 crore as of March 2024 and debt outstanding of Rs.62 crore resulting in comfortable cashflow adequacy ratio ¹ of 71% as of March 2024. The rating also takes into account the favourable location of the project, which enhances the marketability of the project. The rating further factors in the Manglam Group's established track record of more than three decades in the real estate industry in Rajasthan, strong brand positioning in Jaipur (Rajasthan) and demonstrated project execution capabilities. The Group has delivered more than 45 million square feet (msf) of residential/commercial/ plotted projects in various cities of Rajasthan. ICRA expects Manglam Build-Developers Ltd to extend timely financial support to SED if need arises, given their strategic importance to MBDL, business linkages, common management, common treasury team and MBDL's reputation sensitivity to default.

The rating is, however, constrained by the market risk associated with the project as 49% of the area is yet to be sold as of March 2024. The rating is constrained by the modest scale of operations with estimated collections of around Rs 34-37 crores in FY2025, exposure to high geographical and project concentration risks due to dependence on a single residential project in Jaipur. Moreover, being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which in turn render the company's sales vulnerable to any downturn in demand and competition within the region from various other developers.

The Stable outlook on SED's rating reflects ICRA's expectation that the company will benefit from favourable location of the project which will enhance its saleability, adequate cashflow adequacy and expected increase in collections and cash flow from operations.

Key rating drivers and their description

Credit strengths

Expected increase in collections in FY2025; adequate cashflow adequacy ratio – The collections for the company are estimated to increase around 30%-35% in FY2025 (PY: Rs. 26 crore) supported by improvement in sales velocity leading to improvement cash flow from operations and adequate leverage with Total Debt/CFO in the range of 3.0-3.3 times as of March 2025. The company has adequate committed receivables of Rs 40.2 crore against the pending construction cost of Rs 11.4

¹ Cashflow adequacy ratio = Committed receivables / (Pending cost + Debt Outstanding)

crore as of March 2024 and debt outstanding of Rs.62 crore resulting in comfortable cashflow adequacy ratio of 71% as of March 2024.

Favourable location of project – The firm is developing a commercial project, Signature Elite, having a total saleable area of 2.2 lakh square feet (lsf) in Jaipur. The rating takes into account the favourable location of the project, which enhances the marketability of the project. The project witnessed bookings of 51% of total saleable area as of March 2024 for a total consideration of Rs 85 crore. The project is located in the heart of Jaipur on Govind Marg near tonk road and enjoys proximity to key city areas as well as social infrastructure such as schools, hospitals and airport.

Established track record of Manglam group in real estate business in Rajasthan – The Group enjoys an established position and strong brand name in Rajasthan, particularly in Jaipur, with a diversified asset portfolio. Manglam Build Developers Pvt Ltd (MBDL) has a track record of over 30 years in the real estate sector, in Rajasthan. The group is currently developing 13 projects including residential, commercial and plotting projects. The Group also comprises multiple completed projects across residential, commercial and plotted segments. The group has a strong in-house project execution capability, as demonstrated through completion of around 45 msf area.

Credit challenges

Modest scale of operation; Exposure to geographical and asset concentration risk – The company remains exposed to the modest scale of operations with estimated collections of around Rs 34-37 crores in FY2025 along with exposure to high geographical and project concentration risks due to dependence on a single commercial project in Jaipur, Rajasthan.

Exposure to project market risk – The project is associated with the market risk for the unsold area as 49% of the area is yet to be sold as of March 2024.

Exposure to cyclicity in real estate business – The residential real estate sector, being cyclical in nature is highly dependent on macro-economic factors, which in turn render the company’s sales vulnerable to any downturn in demand and competition within the region from various other developers.

Liquidity position: Adequate

The firm’s liquidity position remains adequate, the debt repayment obligations in FY2025 is Rs 9 crores which is expected to be adequately met through its cash flow from operations. Additionally, the company has free cash and bank balance of Rs 1.4 crore as of March 2024.

Rating sensitivities

Positive factor: The rating could be upgraded if the firm is able to report healthy sales velocity in the project resulting in an improvement in collections, cash flows and leverage position.

Negative factor: Negative pressure on rating could arise in the case of decline in sales, collection or significant delay in project execution or material increase in indebtedness or significant fund withdrawals which weakens the firm’s liquidity position. The rating will be sensitive to weakening of credit profile of the Manglam Build-Developers Ltd.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Commercial/Retail/Residential
Parent/Group support	Group Company: Manglam Build-Developers Ltd ICRA expects Manglam Build-Developers Ltd. to extend timely financial support to Signature Elite Developers, if need arises, given their strategic importance to MBDL as there are business linkages, common management, common treasury team and MBDL’s reputation sensitivity to default. Further, MBDL has also given corporate guarantee for the loan availed by Signature Elite Developers.

Consolidation/Standalone	Standalone
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About the company

Signature Elite Developers (SED) is a partnership firm incorporated in the year 2021 and is a part of Manglam group which is operating in the Rajasthan state for more than three decades and has established track record in real estate industry. The firm is currently executing its first project – Signature Elite at Jaipur, a commercial project having a total saleable area of around 2.2 lakh square feet (lsf). The project was started in 2021 and the expected date of completion is March 2025. Currently the project is around 51% sold with committed receivables of around Rs. 40.2 crore as of March 2024.

Key financial indicators (audited)

SED Standalone	FY2023	FY2024*
Operating income	-	-
PAT	- 0.0	- 0.0
OPBDIT/OI	NA	NA
PAT/OI	NA	NA
Total outside liabilities/Tangible net worth (times)	1.3	1,614.3
Total debt/OPBDIT (times)	5.2	10.0
Interest coverage (times)	1.0	1.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional; NA: Not Applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-fund based Term loan	Long Term	53.00	October 01, 2024	[ICRA] BBB (Stable)	16-Aug-23	[ICRA]BBB (Stable)	09-May-22	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Fund-Based Term Loan	FY2022	-	FY2026	53.00	[ICRA]BBB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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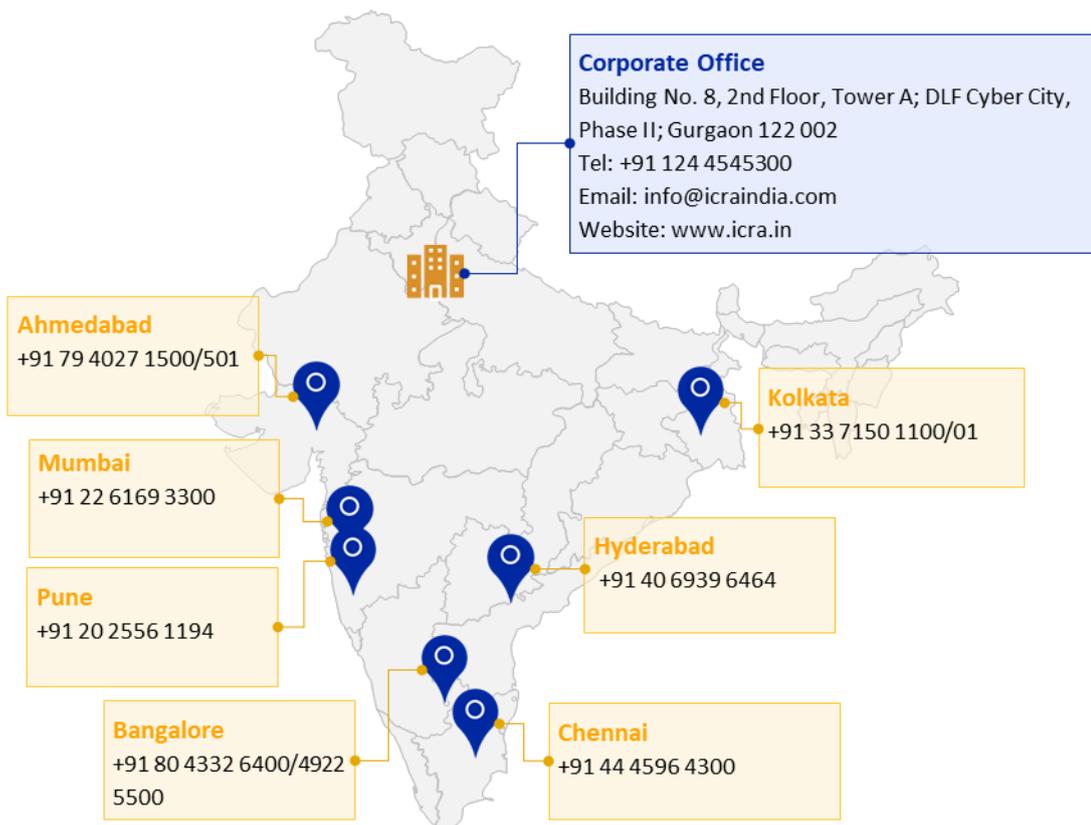
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