

October 01, 2024

NKG Buildcon Private Limited: 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	38.00	38.00	[ICRA]BBB- (Stable); Reaffirmed
Total	38.00	38.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for NKG Buildcon Private Limited (NKG) favourably factors in the healthy sales performance of the project with 54% of the total area sold as of March 2024 (26% as of March 2023), healthy cash flow adequacy ratio and leverage. The company has adequate committed receivables of Rs. 72.8 crore against the pending construction cost of Rs. 28.8 crore and debt outstanding of Rs. 31.5 crore as of March 2024 resulting in healthy cash flow adequacy ratio of 121% as of March 2024. The company's leverage is adequate with Total External Debt/CFO of around 3.0 times as of March 2025. The rating notes 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 (MBDL) to extend timely financial support to NKG 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 company's exposure to market and execution risks associated with the project. The project is in the intermediate stage of construction with 25% of the cost yet to be incurred and 46% of area yet to be sold as of March 2024. The rating is constrained by the modest scale of operations with estimated collections around Rs. 23-26 crore in FY2025, 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 exposes the company's sales to any downturn in demand and competition within the region from various other developers.

The Stable outlook on NKG's rating reflects ICRA's expectation that the company will benefit from favourable location of the project, which will enhance its saleability while maintaining adequate leverage.

Key rating drivers and their description

Credit strengths

Healthy sales performance; adequate leverage – The company launched its project Manglam Rambagh, at Jagatpura, in November 2022. It has witnessed healthy sales performance with 54% of total area sold as of March 2024 (26% as of March 2023) for a total consideration of ~Rs. 98 crore. The healthy sales velocity is likely to continue going forward, which is expected to result in improvement in leverage and coverage metrics with Debt/CFO of around 3.0 times as of March 2025 and DSCR of around 1.5 times for FY2025.

Healthy cash flow adequacy ratio – The company's cash flow adequacy ratio remains healthy at 121% as of March 2024 improving from 41% as of March 2023. The improvement in cash flow adequacy ratio is driven by the sales performance of the project with 54% of total area sold as of March 2024 (26% as of March 2023), which resulted in healthy committed receivables of Rs. 72.8 crore against pending construction cost of Rs. 29 crore and debt outstanding of Rs. 31.5 crore as of March 2024.

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. 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 comprises multiple completed projects across residential, commercial and plotted segments. It has a strong in-house project execution capability, as demonstrated through completion of around 45 msf of area.

Credit challenges

Exposure to execution and market risks – The company is exposed to the execution and market risks associated with the project. The project is in the intermediate stage of construction with 25% of the cost yet to be incurred and 46% of the area yet to be sold as of March 2024.

Modest scale of operations; exposure to geographical and asset concentration risks – The company has modest scale of operations with estimated collections of around Rs. 23-26 crore in FY2025, along with high geographical and asset concentration risks due to dependence on single residential project - Manglam Rambagh in Jaipur, Rajasthan.

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

Liquidity position: Adequate

The liquidity position remains adequate, given the adequate committed receivables of Rs. 73.2 crore available from the project and undrawn bank limits of Rs. 6 crore as of March 2024. Against this, the project has pending construction cost of Rs. 28.8 crore as of March 2024. Further, the company has repayment obligation of Rs. 9 crore in FY2025, which is expected to be adequately met through its cash flow from operations.

Rating sensitivities

Positive factor – ICRA could upgrade the rating if there is a significant and sustained increase in the sales and collections, along with an improvement in the debt coverage metrics.

Negative factor – Negative pressure on the rating could arise in case of decline in sales, collection or significant delay in project execution or material increase in indebtedness, weakens its liquidity position. The rating will be sensitive to weakening of the 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 financial support to NKG Buildcon Private Limited, 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.
Consolidation/Standalone	Standalone

About the company

NKG Buildcon Private Limited (NKG) was incorporated in 1991 and is a part of the Manglam Group, which is operating in Rajasthan for more than three decades and has established track record in real estate industry. The company is currently executing its first project – Manglam Rambagh Jagatpura at Jaipur, a residential project having a total saleable area of around 3.4 lakh square feet (lsf). The project was started in November 2022 and the expected date of completion is December 2026. Currently the project is around 54% sold with committed receivables of around Rs. 73 crore as of March 2024.

Key financial indicators (audited)

Nimrana Standalone	FY2023	FY2024*
Operating income	-	-
PAT	0.8	- 0.5
OPBDIT/OI	NM	NM
PAT/OI	NM	NM
Total outside liabilities/Tangible net worth (times)	NM	14.5
Total debt/OPBDIT (times)	-	32.9
Interest coverage (times)	-	0.9

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; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)			Chronology of rating history for the past 3 years							
FY2025			FY2024		FY2023		FY2022			
Instrument	Type	Amount Rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term-fund based - Term loan	Long Term	38.00	October 01, 2024	[ICRA] BBB- (Stable)	18-Aug-23	[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	FY2023	-	FY2027	38.00	[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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