

October 01, 2024

Manglam Build-Developers Ltd: Rating upgraded to [ICRA]BBB+ (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term Loan	127.65	127.65	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Long-term Unallocated	22.35	22.35	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Total	150.00	150.00	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade for Manglam Build-Developers Ltd (MBDL) factors in the expected healthy growth in sales and collections of the Manglam Group¹, while maintaining a comfortable leverage. The Group's sales are estimated to grow by around 20%-25% in FY2025 (PY: Rs 673 crore) and collections by around 25%-27% (PY: Rs 591 crore), supported by good sales velocity in its ongoing and completed projects, strong launch pipeline and healthy end-user demand. Consequently, the cash flow from operations are expected to improve and the leverage is projected to remain comfortable in the range of 1.8-2.0 times as of March 2025 (PY: 1.8 times), despite the likely increase in total debt to around Rs. 440-450 crore as of March 2025 (PY: Rs. 335 crore) majorly due to expected land investments and to part fund the construction in its ongoing projects. The Group is currently executing 13 projects with a total saleable area of around 8.5 million square feet (msf), of which around 46% area has been sold and the cash flow adequacy ratio² is comfortable at 70%. 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 75 projects admeasuring more than 45 msf of residential/commercial/plotted projects in various cities of Rajasthan.

The rating is, however, constrained by the Group's exposure to the market and execution risks both for the ongoing as well as upcoming projects. The Group has total pending unsold area of 4.6 msf in its ongoing projects and 36% of the cost is yet to be incurred as of March 2024. It is also exposed to the geographical concentration risk, as the ongoing and upcoming projects are mostly located in Jaipur, increasing the dependence on a single micromarket for sales and revenue. The risk has further increased from the unsold inventory in the completed projects, which is around 2.9 msf, where the sales velocity has been relatively slow. ICRA notes that the Group has undertaken a re-development project in Borivali, Mumbai, with a saleable area of 0.1 msf, which will be launched in Q3 FY2025. 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 MBDL's rating reflects ICRA's expectation that the Group will benefit from the healthy collections from its ongoing projects as well as new launches while maintaining comfortable leverage and cash flow adequacy ratio.

¹ Manglam Group – Consolidation of of MBDL along with its subsidiaries and associate concerns (including Signature Elite Developers, Saville Hospital and Research Centre Private Limited, Nimrana Developers and NKG Buildcon Private Limited) given the close operational and managerial linkages between them.

² Cashflow adequacy ratio = Total Committed receivables/ (Total debt Outstanding + Total pending cost)

Key rating drivers and their description

Credit strengths

Expected improvement in sales and collections in FY2025 – The Group is currently executing 13 projects with a total saleable area of around 8.5 msf, of which around 46% area has been sold. The sales are further expected to grow by around 20%-25% in FY2025 (PY: Rs. 673 crore) and collections by around 25%-27% (PY: Rs. 591 crore), supported by good sales velocity in its ongoing and completed projects, strong launch pipeline and healthy end-user demand.

Comfortable cash flow adequacy ratio and leverage – The cash flow adequacy ratio remains comfortable at 70% as of March 2024 on the back of healthy sales leading high committed receivables of Rs. 515 crore against the pending cost of Rs. 440 crore and debt o/s of Rs. 335 crore. The leverage is projected to remain comfortable in the range of 1.8-2.0 times as of March 2025 (PY: 1.8 times), despite the likely increase in total debt to around Rs. 440-450 crore as of March 2025 (PY: Rs. 335 crore) majorly due to expected land investments and to part fund the construction in its ongoing projects.

Long and established track record of 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. It has a strong in-house project execution capability, as demonstrated through completion of around 45 msf of area.

Credit challenges

Exposure to market and execution risks – The Group is exposed to market risk both for the ongoing as well as upcoming projects with total pending unsold area of 4.6 msf in its ongoing projects, along with the execution risk for its projects as 36% of the cost is yet to be incurred as of March 2024. The market risk is further increased from the unsold inventory in the completed projects, which is around 2.9 msf as of March 2024, where the sales velocity has been relatively slow.

Exposure to geographical risk – The Group is exposed to the geographical concentration risk, as the ongoing and upcoming projects are mostly located in Jaipur, increasing the dependence on a single micromarket for sales and revenue. ICRA notes that the Group has undertaken a re-development project in Borivali, Mumbai, with a saleable area of 0.1 msf, which will be launched in Q3 FY2025.

Exposure to cyclicity 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 Group's liquidity position remains adequate, supported by healthy committed receivables of Rs. 515 crore and unencumbered cash and bank balances of Rs. 33.2 crore as of March 2024. MBDL, at standalone level, has unencumbered cash and bank balances of Rs. 12.9 crore as of March 2024. Further, the Group has debt obligations of around Rs. 120 crore, which is likely to be comfortably met through the expected cash flow from operations in FY2025.

Rating sensitivities

Positive factor – ICRA could upgrade the rating in case there is a significant and sustainable improvement in the company's scale, cash flow from operations and liquidity position while maintaining comfortable leverage.

Negative factor – The rating could be downgraded if there is a significant decline in collections, slippages in project execution or significant increase in indebtedness, which deteriorates the liquidity and leverage position on a prolonged basis. Further, a decline in cash flow adequacy ratio below 65% will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Commercial/Retail/Residential Realty – Lease Rental Discounting (LRD)
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation, the rating is based on the consolidated financials of MBDL along with its subsidiaries and associate concerns (including Signature Elite Developers, Saville Hospital and Research Centre Private Limited, Nimrana Developers and NKG Buildcon Private Limited) given the close operational and managerial linkages between them. Corporate Guarantee has been extended by MBDL to loans availed by Signature Elite Developers, Saville Hospital and Research Centre Private Limited and Nimrana developers.

About the company

MBDL is a public limited company incorporated on April 1, 2008. It is promoted by Mr. N.K. Gupta, having experience of more than three decades in the real estate industry. The company has been operating in Rajasthan for more than 20 years and has gained extensive experience in the real estate industry. The Group has delivered 75 projects admeasuring more than 45 msf of residential/commercial/plotted projects in various cities of Rajasthan and is currently executing 13 projects with a total saleable area of around 8.6 msf.

Key financial indicators (audited)

MBDL (Consolidated)	FY2022	FY2023
Operating income	191.4	280.1
PAT	15.2	12.4
OPBDIT/OI	21.8%	14.2%
PAT/OI	7.9%	4.4%
Total outside liabilities/Tangible net worth (times)	1.6	1.5
Total debt/OPBDIT (times)	8.0	7.7
Interest coverage (times)	1.1	1.1

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; ICRA has consolidated the financials of Signature Elite Developers, NKG Buildcon Private Limited, Saville Hospital and Research Centre Private Limited and Manglam Build-Developers Limited (Consolidated).

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	127.65	October 01, 2024	[ICRA] BBB+ (Stable)	16-Aug-23	[ICRA]BBB (Stable)	09-May-22	[ICRA]BBB (Stable)	03-Aug-21	[ICRA] BBB- (Positive)
Fund-Based	Long Term	-	-	-	-	-	09-May-22	[ICRA]BBB (Stable)	03-Aug-21	[ICRA] BBB- (Positive)
Long-term - Unallocated	Long Term	22.35	October 01, 2024	[ICRA] BBB+ (Stable)	16-Aug-23	[ICRA]BBB (Stable)	09-May-22	[ICRA]BBB (Stable)	03-Aug-21	[ICRA] BBB- (Positive)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term - Unallocated	NA

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	FY2020	-	FY2026	127.65	[ICRA]BBB+ (Stable)
-	Long-term Unallocated	-	-	-	22.35	[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

Company Name	MBDL Ownership	Consolidation Approach
Manglam Build-Developers Ltd (Flagship company of Manglam Group)	-	Full Consolidation
Nimrana Developers	60.00%	Full Consolidation
Rangoli Developers	67.00%	Full Consolidation
Dhanshree Developers	80.00%	Full Consolidation
Manglamhome Construction LLP	5.00%	Equity Method
Signature Elite Developers	-	Equity Method
Saville Hospital and Research Centre Private Limited	-	Equity Method
NKG Buildcon Pvt Ltd	-	Equity Method
Woodland Park Buildcon LLP	-	Equity Method
Manglam & Karnani Venture LLP	-	Equity Method
Manglam Ornaments Pvt Ltd	68.35%	Full Consolidation
Shivver Colonizer Pvt Ltd	80.00%	Full Consolidation
Manglam Monga	99.00%	Full Consolidation
Manglam Land Bank	62.00%	Full Consolidation
Fairmount Developers Pvt Ltd	49.37%	Full Consolidation
Shree Tirupati Developers	35.00%	Equity Method
Vista Housing	37.50%	Equity Method

Source: Company; ICRA Research

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