



Sri Nakoda Construction Limited

Instrument	Amount (Rs. Crore)*	Rating Action
Term Loan	128.50 (earlier Rs. 124.16 crore)	[ICRA]BBB- (Stable); upgraded
Unallocated	21.50 (earlier Rs. 25.84 crore)	[ICRA]BBB- (Stable); upgraded

ICRA has upgraded the long term rating assigned to Rs. 150 crore (including unallocated) bank facilities of Sri Nakoda Construction Limited from [ICRA]BB+ (pronounced ICRA double B plus) to [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the long term rating is Stable.

The rating upgrade positively factors in healthy sales progress in the ongoing projects of the group, 'Aabdh Valmark' (81% as on March 2015 as compared to 56% as on Feb 2014) and 'Aastha Valmark' (87% as on March 2015 as compared to 75% as on Feb 2014) leading to moderation of market risk. The rating also draws comfort from the healthy collection efficiency in the ongoing projects which helps SNCL in maintaining comfortable cash flow position. The rating continues to take comfort from long standing experience of more than 20 years of SNCL's promoters in the real estate industry.

The rating is however constrained by exposure to execution risk for the 'Apas Valmark' project since the same is scheduled to be completed by March 2016 and has significant pending cost. The rating is also constrained by exposure to market risk for the Apas Valmark project due to significant unsold area, high ticket size and slow sales velocity. The rating is also constrained by high repayment obligations of the company in FY17 and FY18 which exposes it to refinancing risk. The rating also continues to be constrained by SNCL's concentration to the Bangalore residential market and exposure to cyclical nature inherent in the real estate sector.

Going forward ability of the company to complete the projects on time and improve sales velocity in its on-going projects as well as collect advances in a timely manner will be key sensitive factors.

Company Profile

SNCL is the flagship entity of Valmark group, founded by Mr. Ratan B. Lath and Mr. Tejraj Gulecha. The group started its operation in the year 2007 in the brand name of 'Valmark'. SNCL has so far completed four residential projects, Amoda Valmark, Aabdh Valmark, Ananda Valmark and Regency Pinnacle Heights, all located in Bangalore. Besides, there are two other ongoing projects Apas Valmark and Aastha Valmark, both of which located near Bannerghatta road in Bangalore. The promoters of the group have a long track record in the real estate industry and have been associated with several landmark projects in Bangalore including Kempegowda Maharaja Shopping Complex (K.G.Road), City Centre (K.G.Road), Classic Orchard (Bannerghatta Road), Manyata Tech Park (Nagwara Junction) and Classic County (Kengeri) among others.

Recent Results

As per the provisional results for FY15, the company has reported net profit of Rs. 7.45 crore on operating income of Rs. 46.35 crore as compared to a net profit of Rs. 7.98 crore on operating income of Rs. 14.66 crore for FY14.

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* 100 lakhs = 1 crore = 10 millions



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