

Sri Nakoda Construction Limited

Instrument	Amount	Rating Action
	In Rs. Crore	December 2016
LT Scale - Term Loan	12.72	[ICRA]BB+ (Stable); downgraded from [ICRA]BBB- (Stable)
LT Scale - Cash Credit	5.00	
LT Scale - Unallocated	132.28	
Total	150.00	

ICRA has downgraded the long-term rating assigned to the Rs 150.0-crore bank lines of Sri Nakoda Construction Limited (SNCL) to [ICRA]BB+ (pronounced as ICRA double B plus) from [ICRA]BBB- (pronounced as ICRA triple B minus). The long-term rating carries a 'Stable' outlook.

The revision in the long-term rating takes into account the weak sales and collections reported by the company in the last 12 months, especially from its high-end, Valmark Apas, project. Despite low booking in the high ticket size Valmark Apas project, the company has completed the construction of the project by drawing the sanctioned debt facility. The project has an unsold inventory of more than Rs 266 crore as against the debt outstanding of Rs 116 crore. Market risk for the project remains high because of the large ticket size, accentuated by the sluggish demand scenario for high-end apartment projects in the Bangalore market. The collections from the Orchard Square project of SNCL, which had seen healthy bookings during the pre-launch phase, have also been lower than ICRA's expectations due to the delay in getting requisite regulatory approvals and commencement of construction. SNCL has high repayment obligations in FY2018 (Rs. 67.1 crore) and FY2019 (Rs. 65.3 crore); thus the company will have to significantly increase the sales velocity in ongoing projects, especially Valmark Apas, to service the debt obligations.

The rating, however, takes comfort from the strong promoter profile of Sri Nakoda Construction Limited. The promoters have significant net worth and over two decades of experience in the real estate sector. The rating also takes into account the healthy sales in the pre-launch phase of the Orchard Square project, where the ticket size is in the range of Rs 50-80 lakh per unit. With regulatory approvals to be received shortly, collections from the Orchard Square project are expected to improve going forward.

The firm's ability to increase the sales velocity in the existing projects, especially in the high ticket size Valmark Apas project, and timely complete the Orchard Square project would be the key rating sensitivity.

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 2007 under the brand name 'Valmark'. SNCL has so far completed five residential projects— Amoda Valmark, Abodh Valmark, Ananda Valmark, Regency Pinnacle Heights and Aastha Valmark— all located in Bangalore. Besides, there are two other ongoing projects, Apas Valmark and Orchard Square, both of which are located near Bannerghatta Road in Bangalore. The promoters of the group have a proven 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

In FY2016, SNCL reported a net profit of Rs 1.6 crore on an operating income of Rs 18.3 crore. In FY2015, SNCL reported a net profit of Rs 8.7 crore on an operating income of Rs 43.1 crore.

December 2016



For further details, please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44 4596 4301)
ravichandran@icraindia.com

Mr. Shubham Jain, (Tel. No. +91-0124-4545306)
shubhamj@icraindia.com

Mr. Mathew Kurian Eranat, (Tel. No. +91-8043326415)
mathew.eranat@icraindia.com

Mr. Nishant Mishra, (Tel. No. +91-8043326408)
nishant.mishra@icraindia.com

Relationship Contact:

Mr. Jayanta Chatterjee, (Tel. No. +91-8043326401)
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500