

August 18, 2023

NKG Buildcon Private Limited: [ICRA] BBB- (Stable) Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-Term - Fund-based – Term loan	38.00	[ICRA] BBB- (Stable); assigned
Total	38.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to the bank facilities of NKG Buildcon Private Limited (NKG) 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. The company is developing a residential project, Manglam Rambagh Jagatpura, having total saleable area of 3.4 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 was launched in November 2022 and the company has witnessed healthy sales performance with the bookings at 26% of the total saleable area as of March 2023 for a total consideration of Rs ~44 crore and the healthy sales velocity is expected to continue going forward. ICRA expects Manglam group to extend timely support to NKG in case of any cash flow mismatches, given the strong business linkages, strategic importance and the group's reputation sensitivity to default.

The rating is, however, constrained by the execution, market and funding risks associated with the project. The project is in initial stages of construction with around 16% of the total construction cost incurred as of March 2023, thereby exposing the company to execution risks. The company is exposed to market risk for unsold area of 2.5 lsf as on March 2023. NKG's cash flow adequacy ratio¹ is moderate at 41% as of March 2023 and is dependent on incremental sales to meet the pending cost in addition to the sanctioned debt of Rs. 38 crore. The rating is constrained by the 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 the rating of [ICRA] BBB- reflects ICRA's opinion that the company will benefit from the favourable location of the project and extensive experience of the Manglam Group in the real estate industry.

Key rating drivers and their description

Credit strengths

Established track record of Manglam Group in real estate market 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 14 projects including residential, commercial and plotting projects. The Group also comprises multiple completed projects across residential, commercial and plots. The group has a strong in-house project execution capability, as demonstrated through completion of over 45 msf area.

Healthy sales velocity in the project – The company launched its project Manglam Rambagh at Jagatpura in November 2022, and the company has witnessed healthy sales performance with the bookings at 26% of the total saleable area as of March 2023 for a total consideration of Rs ~44 crore and the healthy sales velocity is expected to continue going forward.

¹ Cash flow adequacy ratio = Receivables from sold area/(pending cost plus external debt outstanding)

Credit challenges

Exposure to execution and market risk; moderate cash flow adequacy ratio – The project is in the initial stages of construction with around 16% of the total construction cost incurred as on March 2023, thereby exposing the company to execution risks. The company is exposed to market risk for unsold area of 2.5 lsf as of March 2023. NKG's cash flow adequacy ratio is moderate at 41% as of March 2023 and is dependent on incremental sales to meet the pending cost in addition to the sanctioned debt of Rs. 38 crores.

Geographical and asset concentration risk – Manglam Rambagh at Jagatpura is a single project undertaken in NKG Buildcon Private Limited; thus, the company is exposed to high geographical and project concentration risks due to dependence on a single residential project in Jaipur.

Exposure to risk and cyclicity in India's real estate sector – The real estate sector is cyclical in nature and 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 established developers.

Liquidity position: Adequate

The liquidity position remains adequate, given the healthy committed receivables of Rs 39.3 crore available from the project, against this the project has pending construction cost of Rs 97 crore. Further, the company has undrawn bank limits amounting to Rs 32 crore of July 2023 which would enable the company to fund any temporary cashflow mismatches. The company will be dependent on incremental sales to fund the construction for the project.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant and sustained increase in the sales and collections, along with an improvement in the credit profile of the promoter group.

Negative factors - Negative pressure on rating could arise in case of decline in sales, collection or significant delay project execution or material increase in indebtedness which weakens the firm's liquidity position. The rating will be sensitive to weakening of credit profile of the Manglam group.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	Group Company: Manglam Group The rating factors in the expected financial support from Manglam Group to NKG, given strategic importance and to protect Manglam group's reputation from the consequences of a group entity's distress.
Consolidation/Standalone	Standalone

About the company

NKG Buildcon Private Limited (NKG) is incorporated in 1991 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 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 26% sold with committed receivables of around Rs. 39 crore as of March 2023.

Key financial indicators (audited) – Not Applicable as it is a project stage company.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)* as on May 31, 2023	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					August 18, 2023			
1	Fund-based – Term loan	Long term	38.00	6.00	[ICRA] BBB- (Stable)	-	-	-

*Nil Outstanding

Complexity level of the rated instrument

Instrument	Complexity Indicator
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
NA	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

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4547 4829
Anupama.reddy@icraindia.com

Neha Mittal
+91 124-4545 365
neha.mittal@icraindia.com

Yash Garg
+91 124-4545 337
yash.garg@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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