

## Malnad Project (I) Private Limited

February 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Non Convertible Debentures	49.00	CARE B; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

The reaffirmation of the rating assigned to the instrument of Malnad Project (I) Private Limited (MPIPL) continues to factor in considerable execution and marketing risk due to nascent stage of the project, high dependence on customer advances, leveraged funding structure and stretched liquidity profile. The rating also remains constrained by intense competition, geographical concentration risk and inherent cyclical nature of the real estate industry.

Nevertheless, the rating derives comfort from experience of the promoter - Kumar group, which has around five decades of presence in the real estate business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant traction in project execution with more than 50% of cost incurred, accompanied with healthy bookings and collections leading to improved cash flows and debt coverage indicators

#### Negative factors

- Significant delay in bookings and realizing collections leading to stress on cash flows
- Any further delay in project execution leading to cost overrun

#### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company will continue to benefit from the extensive experience of the promoters and management in the industry.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Project execution risk due to nascent stage of the project

MPIPL is developing a residential township, consisting of 10,020 units with a saleable area of 161 lakh square feet (lsf). Out of this total area, MPIPL will develop 111 lsf, while the remaining 50 lsf will be sold to another developer.

Total project cost is estimated to be over ₹6400 crores (PY: ₹4800 crores). The revision in cost stem from various alterations such as structural adjustments, including the augmentation of the number of floors and height, consequently necessitating additional expenditures. As on December 31, 2023, the company has incurred ~ 8% of total project cost, resulting in significant execution risk.

##### High dependence on customer advances and leveraged capital structure

The company is yet to incur project cost of over ₹5900 crore, which is planned to be funded majorly through customer advances and balance through additional debt drawdown. Due to high reliance on customer advances (of around 91% of the project cost), the company will be required to maintain healthy booking status.

As on February 20, 2024, the company has launched around 11% of the total area of the project, equivalent to a saleable area of 17.54 lsf. Out of this area, around 3.8 lsf has been sold with collections of ₹25 crores against a total sale value of ₹216 crores. Any adverse impact on the sales momentum of the company may induce the company to further draw debt, which shall deteriorate the capital structure and funding pattern of the company.

This apart, the debt levels of the company are significantly high and will remain elevated over medium term, owing to scheduled bullet repayment of debt facilities.

##### Competition and geographical concentration of projects

There is only one planned project under the company at Manjri, Pune region thus exposing the company to geographic concentration risk. Any downturn in these micro markets may impact the cash flows adversely. Furthermore, there are many new upcoming projects in the vicinity which are being developed by other players in the market. The new and ongoing projects will result in additional inventory, which may lead to downward pressure on selling prices and saleability risk for the company.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Cyclical nature of real estate industry subject to regulations

The company is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of the real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market. Moreover, the companies in the sector are also exposed to regulatory changes, especially in countries such as India with evolving regulations. Also, there exists competition from upcoming and completed projects of other well-known developers in the region.

### Key strengths

#### Experienced promoter and management in real estate business

MPIPL belongs to the Pune based Kumar group founded in 1966 and is engaged in the business of real estate development for more than five decades. The group has been involved in developing residential and commercial buildings and has diversified into engineering construction and plant biotechnology business. The company is spearheaded by the third generation of the promoter family of the group, Mr. Manish Vimalkumar Jain, Director, who is an MBA by qualification and holds around 25 years of professional experience in the real estate business. He is ably supported by a qualified team of professionals with significant experience in their respective fields. The group exhibits strong experience in developing real estate spaces in residential segment in the Pune region with more than 60 lsf of spaces developed since inception.

### Liquidity: Stretched

Liquidity is marked by low free cash and bank balance of ₹5.24 crore as on December 31, 2023 against interest commitments of close to ₹20 crore cumulatively in next four quarters. The available liquid balances will be largely deployed towards project commitments.

As on February 20, 2024, the company has sold only 340 units, out of 1560 units launched. This indicates strained liquidity in the near to medium term until MPIPL successfully sells more inventory and realizes substantial milestone-based payments. Timely realisation of envisaged amount from the planned sale of 50 lsf land parcel is critical from debt reduction/ liquidity perspective.

### Assumptions/Covenants – Not Applicable

### Environment, social, and governance (ESG) risks – Not Applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated on April 26, 2017, Malnad Project (I) Private Limited (MPIPL) [Erstwhile, Kumar Housing Township Private Limited], initially promoted as "Krishcon Publication India Private Limited" by Mr. Rohit Vijaykumar Palsule and Ms Vaishali Prasanna Gole in the capacity of directors, was acquired in FY20 by Mr. Manish Vimalkumar Jain (99.99% of holding) and Ms. Mamta Jain, promoter family of Kumar Group of Pune. MPIPL has taken up the construction and development of township admeasuring 111.23 lakh square feet (lsf) in Manjri, Pune, Maharashtra.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	0.00	0.00
PBILDT	-6.34	-7.69
PAT	-42.80	-86.34
Overall gearing (times)	-10.83	-4.63
Interest coverage (times)	-0.09	-0.07

A: Audited; Note: 'the above results are latest financial results available'

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
NCD	INE0H2C08018	18-Mar-2021	-	18-Mar-2028	49.00	CARE B; Stable

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT	49.00	CARE B; Stable	-	1)CARE B; Stable (02-Mar-23)	1)CARE B; Stable (04-Mar-22)	1)CARE B; Stable (08-Mar-21)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities –** Not applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About us:

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### Disclaimer:

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