

V.R. Nachimuthu: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Term Loan (Proposed)	20.00	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** on the above mentioned bank facility of V.R. Nachimuthu (VRN). The outlook is **'Stable'**. The rating derives comfort from the experienced management and successful completion of past projects. However, the rating is constrained by project execution risk, moderate bookings and saleability risk. The rating is also constrained by the intense market competition and cyclicity in the real estate sector.

VRN, part of the Sakthi Group, was established in 1962 by the Late Mr. VR Nachimuthu. The firm is engaged in the real estate business. It has executed around 27 projects under the leadership of Mr. VN Subramanian, Partner, a civil engineer who possesses over three decades of experience in the construction industry.

The latest residential project, Arum Lily at Kalapatti, Coimbatore involves construction of 92 villas on 12 acres of land. The project is expected to be completed by March 2019. VRN is exposed to project execution risk owing to the nascent stage of construction. The total project cost is around Rs.47.73 crore to be funded through a term loan of Rs.20.00 crore and promoter's contribution/quasi equity of Rs.27.73 crore. As on date, the firm has completed around ~14.67 per cent work on the project (Rs. ~7.00 crore out of Rs.47.73 crore). Moreover, the firm is also exposed to risks related to time and cost overruns due to the rising material prices and labour shortage issues.

The firm has received moderate bookings for around 43 villas from the total 92 that are saleable and low advances of Rs.2.55 crore. Further, it is also exposed to intense market competition and is susceptible to the current slowdown in the real estate industry.

Rating Sensitivity Factors

- Timely completion of the project
- Converting inventory to finished stock or realising sale

Outlook-Stable

SMERA believes VRN will continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows through timely receipt of customer advances and increase in booking levels. Conversely, the outlook may be revised to 'Negative' if the firm faces liquidity pressure on account of delays in receipt of customer advances or is unable to realise sales.

About the Firm

VRN, was established in 1962, by the Late Mr. VR Nachimuthu. The firm is part of the Sakthi Group that has executed around 27 projects so far. It is headed by Mr. VN Subramanian, Partner, a civil engineer with over three decades of experience in the construction industry.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.28 crore on operating income of Rs.3.17 crore, as compared to PAT of Rs.2.08 crore on operating income of Rs.21.95 crore in the previous year.



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