

Press Release

16 March, 2018

V.R. Nachimuthu (VRN)

Rating Upgraded



Total Bank Facilities Rated *	Rs.20.00 crore
Long Term Rating	SMERA B+ / Outlook: Stable (Upgraded from SMERA B)

Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the Rs. 20.00 crore bank facilities of V R Nachimuthu (VRN) to **'SMERA B+' (read as SMERA B plus)** from **'SMERA B' (read as SMERA B)**. The outlook is **'Stable'**.

The rating upgrade factors in the level of project completion and infusion of funds by promoters. Further, the rating is supported by reduced off-take risk backed by comfortable booking levels, advances received, experienced management and successful completion of past projects.

M/s V R Nachimuthu, part of the Coimbatore-based Sakthi Group is a real estate firm, established in September 1962 by the Late Mr. V R Nachimuthu, the founder. The firm constructs luxury villas. It has recently undertaken development of a residential project, Årum Lily at Kalapatti, Coimbatore.

Key Rating Drivers

Strengths

Experienced promoters

The group is engaged in the development of residential property from 1962. The firm is presently led by by Mr. V N Subramanian, who possesses three decades of experience in the construction industry. The group has executed around 27 projects under his leadership.

Advanced stage of project completion

The firm undertook development of a residential project 'Arum Lily' at Coimbatore, Kalapatti to construct 92 villas at a cost of Rs. 47.73 crore in April 2015. This is expected to be funded through promoter's contribution of Rs. 27.73 crore and term loan of Rs. 20 crore. The total saleable area is 4.02 lakh square feet. The project was started in April, 2015 and is expected to be completed in FY2019. Around 60 percent of the work has been completed as on FY2017. The firm has received bookings for around 50 villas out of 92 with customer advances of Rs. 14.33 crore. The funding mix is not dependent on customer advances.

Weaknesses

Inherent cyclicity in the construction sector

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-

specific or region specific presence. The firm is exposed to cyclical risk. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc., thereby, resulting in the stress on cash flows.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of M/s. V R Nachimuthu to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will be able to maintain a Stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm receives higher than expected customer advances. Conversely. The outlook may be revised to 'Negative' in case of inordinate project delays or lower than expected customer advances.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15 Dec, 2017	Term Loan	Long Term	20.00	SMERA B (Indicative)
19 Aug, 2016	Term Loan	Long Term	20.00	SMERA B/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA B+ / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA B+ / Stable

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury, President- SMERA Bond Ratings Tel: 022-67141107 Email: suman.chowdhury@smera.in</p> <p>Disha N. Parmar, Rating Analyst Tel: 022-67141120 Email: disha.parmar@smera.in</p>	<p>Varsha Bist, Manager- Rating Desk Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

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