

Press Release

Visvas Promoters Private Limited

November 27, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 38.40 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs. 38.40 crore bank facilities of Visvas Promoters Private Limited (VPPL). The outlook is '**Stable**'.

The Madurai-based, VPPL was incorporated in 2000 by Mr. S Seetharaman. The company is engaged in development and construction of residential township across Madurai (Tamil Nadu).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Visvas Promoters Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Promoter's experience in the real estate industry**

The company is managed by Mr. S Seetharaman who possesses experience of four decades in real estate industry. He has executed more than 15 projects under VPPL. The established presence of the promoter has helped in high acceptance of the projects.

- **Moderate booking level**

The project, 'Abhijit' started in August 2017. It has total 24 units out of which 13 have been booked leading to comfortable booking level. The construction of 'Supraja' begins in October 2014 with 50 percent construction completion till September 2018. However, Supraja shows slow booking level with 44 sold units out of 155 units till September 2018. The 'Vidhya Vahini phase II' begins in March 2016 with 80 percent completion. In this project, 40 units have been sold out of 72 till September 2018.

Weaknesses

- **Inherent cyclicity in 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 risks associated with real estate industry are cyclical nature of business (drop in property prices), interest rate risk, among others that can affect the operations of the company.

- **Geographical concentration**

VPPL's projects are concentrated in the Madurai (Tamil Nadu). This exposes the company to the risks associated with demand-supply dynamics in one city. In case of lower demand in the area, the cash flows from the three projects will be adversely affected.

Outlook: Stable

Acuite believes that VPPL will maintain a 'Stable' outlook over medium term on account of established track record of the promoters and comfortable booking level. The outlook may be revised to 'Positive' in case the company achieves significantly higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances or in case of delay in project execution.

About the project

VPPL is presently undertaking three projects i.e. 'Supraja', 'Vidhya Vahini Phase II' and 'Abhijit'. All these projects are located in Madurai city.

Supraja Project consists of 155 individual villas in 2BHK and 3 BHK size. The project is spread across 465221 sq. ft. with salable area of 139500 sq. ft. Out of 155 units 44 units has been sold till September 30, 2018. The project cost is estimated at Rs.36.66 crore (excluding interest other project cost). The aforementioned project cost is funded through bank loan of Rs.20.40 crore, promoters funding of Rs.8.75 crore and remaining through customer advances. The project was commenced on February 2015 and is expected to be completed by March 2019.

Vidhya Vahini Phase II consists of 72 individual villas in 2BHK and 3 BHK size. The project is spread across 122000 sq. ft. with salable area of 81216 sq. ft. Out of 72 units, 40 has been sold till September 30, 2018. The project cost is estimated at Rs.20.00 crore (excluding interest and other project cost). The aforementioned project cost is funded through bank loan of Rs.13.30 crore, promoters funding of Rs.2.47 crore and remaining through customer advances. The project was commenced on March 2016 and is expected to be completed by September 2019.

Abhijit consists of 24 flats. The project has total salable area of 26400 sq. ft. Out of 24 units, 13 has been sold till September 30, 2018. The project cost is estimated at Rs.7.53 crore (including interest and other project cost). The aforementioned project cost is funded through promoters funding of Rs.4.00 crore and remaining through customer advances. The project was commenced on August 2017 and is expected to be completed by August 2019.

Besides these, VPPL has three projects upcoming in Madurai. However, same are in preparatory and field work stage.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.29	31.70	17.64
EBITDA	Rs. Cr.	3.23	4.09	2.30
PAT	Rs. Cr.	1.98	2.61	1.18
EBITDA Margin	(%)	13.87	12.89	13.05
PAT Margin	(%)	8.49	8.23	6.70
ROCE	(%)	19.95	29.29	21.49
Total Debt/Tangible Net Worth	Times	1.40	2.66	4.69
PBDIT/Interest	Times	2.46	2.41	1.90
Total Debt/PBDIT	Times	2.76	2.84	4.19
Gross Current Assets (Days)	Days	100	69	133

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
5-March-2018	Term Loan	Long Term	38.40	ACUITE B+ (Indicative)
23- Nov-2016	Term Loan	Long Term	38.40	ACUITE B+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	38.40	ACUITE B+/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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