

Press Release

Manikchand Vasudha Developers

August 11, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) on the Rs. 10.00 crore bank facilities of Manikchand Vasudha Developers. The outlook is '**Stable**'.

The Pune-based Manikchand Vasudha Developers (MVD) is a joint venture established in 2008 by the Manikchand group (led by Mr. Rasiklal Dhariwal) and the Vasudha group (promoted by Mr. Umesh Kothawade). The Manikchand group is the funding partner while the operations are led by Mr. Umesh Kothawade of the Vasuda group.

Key Rating Drivers

Strengths

- **Long track of operations and experienced management**

The partners of MVD, Mr. Rasiklal Manikchand Dhariwal, Mr. Prakash Rasiklal Dhariwal, Mr. Devichand Kesharimal Jain and Mr. Umesh Subhash Kothawade possess more than two decades of experience in the real estate business.

- **Reputed brand name**

The Pune-based Vasudha group has a track record of around a decade in the real estate industry. It has completed more than 18 residential and commercial projects and has four on-going projects in Pune. MVD is also supported by the Manikchand group.

- **Advanced stage of completion and moderate booking level**

The project, Sai Eshanya (C+D Wing) is at an advanced stage of completion with around 94.97 percent of the total project cost having been incurred. The project is expected to be completed by August 2017. The firm has received bookings for 25 flats out of 64 as on June 2017.

Weaknesses

- **Moderate customer advances as against total sales proceeds**

MVD collected customer advances of Rs. 15.80 crore against total expected sales proceeds of Rs. 45.60 crore as on 31 May, 2017 which constitutes around 34.65 percent of the total proceeds.

- **Inherent cyclical 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 real estate industry is exposed to risks related to the cyclical nature of business, interest rate risk that can affect operations.

- **Intense competition**

The firm's credit risk profile is constrained by the intense competition in the real estate industry along with exposure to project specific risks.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of MVD.

Outlook: Stable

SMERA believes that MVD will maintain a 'Stable' outlook in the medium term. 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 stretch in liquidity on account of delays in project execution or collection of booking money.

About the Project

MVD has undertaken construction of Sai Eshanya (C+D) Wing, a residential project of 64 flats (2 BHK and 2.5 BHK) at Balewadi, Pune (Maharashtra) to be completed by August 2017. The total project cost is Rs.28.05 crore.

About the Rated Entity - Key Financials

For FY2015-16, MVD reported net profit after tax (PAT) of Rs. 1.49 crore on operating income of Rs. 3.08 crore compared with PAT of Rs. 5.32 crore on operating income of Rs. 21.41 crore in the previous year. The net worth stood at Rs. 9.22 crore as on 31 March, 2016 compared to Rs. 7.75 crore in the previous year

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

ICRA in its press release dated April 28, 2015 had inter-alia mentioned the following 'ICRA has suspended [ICRA]B+ (pronounced ICRA B plus) rating assigned to the Rs. 17.00 crore Term Loan facility of Manikchand Vasudha Developers. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company'

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 (Upto last three years)

Not Applicable

*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 loans	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable

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ABOUT SMERA

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