

Press Release

Vedant Estates And Properties

December 14, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 25.00 crore bank facilities of VEDANT ESTATES AND PROPERTIES (VEP). The outlook is '**Stable**'.

The Pune-based, VEP is a partnership firm established in 2014 by Mr. Sandeep Agarwal and Mrs. Shashikala Agarwal. The firm is engaged in development of residential and commercial properties and is a part of Vedant group which has executed 5 projects since 2007. Presently VEP is executing a commercial and residential project 'Kingston Aura', which is a 81:19 joint development between developer (Vedant Estate and properties) and land owners.

Analytical Approach

Acuite has considered standalone business and financial risk profile of the firm to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

VEP is a part of Vedant Group which is promoted by Mr. Sandeep Agarwal who has experience of over a decade in the real estate industry. The day to day operation of VEP is managed by Mr. Rishabh Jain. The group has executed 5 projects since 2007 in Pune region.

Acuite believes that the management's established track record of successful project execution will continue to support the business risk profile of the VEP.

- **Low execution risk in phase 1 coupled with moderate booking levels:**

The firm is executing a residential and commercial project 'Kingston Aura' under joint development wherein share of VEP is 81 percent. The project will be developed in two phases. Phase 1 is ~85 per cent complete and phase 2 is yet to commence. The firm has incurred 85.81% of the total construction cost in phase I and has received bookings for 204 units of the total 398 units under VEP's share. The phase 1 is RERA registered and is at advanced stage with target COD of 2021. Further, the repayment of tied up debt will commence from September 2019 and the firm plans to commence phase II only on completion of phase I. This is likely to support the firm's debt servicing ability.

Acuite believes that the advanced stage of execution of phase 1 and moderate booking levels is likely to support VEP's debt servicing ability and future growth strategies.

Weaknesses

- **Stiff competition from ongoing and new projects in the vicinity**

The firm faces stiff competition from large players and similar properties located in the same vicinity. The project is located at Hanewadi-Hadapsar Road, Pune which is away from the main city leading to lower demand. However, the risk is partially offset by comfortable booking level driven by existence of IT parks in the nearby area.

- **Inherent cyclicity in construction sector**

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

Outlook: Stable

Acuite believes that VEP will maintain a 'Stable' outlook over medium term on account of established track record of the group in real estate industry. The outlook may be revised to 'Positive' in case the firm achieves significantly higher than expected customer advances and booking level along with timely execution of the project. Conversely, the outlook may be revised to 'Negative' in case of slower than expected sales or delay in project execution.

About the Project

Kingston Aura is spread across 623980 sq.ft., to be built in two phases. Phase I (RERA registered), commenced in FY2016, is constructed on 440590 sq. ft. in which total 493 units are being constructed. It consist of Apex (commercial building) and Wing A, B, C, D and E, (residential building). Out 493 units,95 belong to land owners and 302 belong to developers. Phase I is ~85 percent complete with 51.25 percent sales booking. Total cost of Phase I is Rs.102.63 crore funded by long term bank loan of Rs. 25.00 crore, interest free promoters funding of Rs.17.73 crore and balance through customer advances. Phase I is expected to be completed by December 2019. Phase II will consist of total 202 units out of which 170 belong to developers and 32 belong to land owners. Phase II will be developed adjacent to Phase I with total estimated cost of ~Rs.32.00 crore funded through bank term loan of Rs.17.00 crore and balance through promoters fund and customer advances.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.40	-0.36	-0.09
EBITDA	Rs. Cr.	2.32	1.26	0.36
PAT	Rs. Cr.	0.05	0.00	0.00
EBITDA Margin	(%)	579.56	-350.99	-423.49
PAT Margin	(%)	13.00	-0.98	-0.02
ROCE	(%)	8.67	6.61	4.27
Total Debt/Tangible Net Worth	Times	3.06	5.32	34.59
PBDIT/Interest	Times	1.03	1.02	1.01
Total Debt/PBDIT	Times	10.59	13.89	44.97
Gross Current Assets (Days)	Days	60281	-42024	-121066

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

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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	25.00	ACUITE BB / Stable

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About Acuité Ratings & Research:

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