

## Press Release

### VGN Homes Private Limited

May 08, 2019



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.100.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.100.00 crore bank facilities of VGN Homes Private Limited. The outlook is '**Stable**'.

The Chennai based VGN Homes Private Limited (VHPL) was incorporated in 2004. The company promoted by Mr. V. N. Devadoss is a part of VGN group established in 1942. VHPL is engaged into development of residential apartments and plots in and around Chennai.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the VHPL to arrive at rating.

### Key Rating Drivers

#### Strengths

- **Established presence in Chennai**

Mr. V.N. Devadoss, Chairman of the VGN Group, has over three decades of experience in the real estate sector. The company has executed several projects of developing apartments and plots in Chennai. The group has large developable land bank in and around Chennai.

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

#### Weaknesses

- **Inherent cyclical in real estate 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 which could affect the operations of the company.

- **Competitive industry scenario**

The real estate market has seen numerous developers operating in the Chennai region because of availability of vast lands. Hence, the competition to lure the buyers in an already subdued demand scenario is intense.

#### Liquidity position

VHPL has stretched liquidity position marked by low cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.46 crore - Rs.10.68 crore for through FY2017-FY2019 against which it has repayment obligations in the range of Rs.40.00-60.00 crore. The overdraft facility of the company was fully utilized for past six months ended March 2019. Any mismatch between the customer advances and the repayment obligations can have an impact on the liquidity profile of the company.

#### Outlook: Stable

Acuité believes that VHPL will maintain a 'Stable' outlook over medium term on account of established track record of the company in real estate industry. The outlook may be revised to 'Positive' in case the company 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 impacting its debt servicing ability.

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	182.05	80.33	145.21
EBITDA	Rs. Cr.	29.46	29.55	36.10
PAT	Rs. Cr.	6.72	1.70	1.41
EBITDA Margin (%)	(%)	16.18	36.78	24.86
PAT Margin (%)	(%)	3.69	2.12	0.97
ROCE (%)	(%)	8.92	7.09	8.50
Total Debt/Tangible Net Worth	Times	0.27	0.62	1.03
PBDIT/Interest	Times	1.90	1.31	1.26
Total Debt/PBDIT	Times	1.84	4.11	5.63
Gross Current Assets (Days)	Days	863	1,907	1,034

### 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-20.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. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	13.91	ACUITE B+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	8.36	ACUITE B+/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	18.58	ACUITE B+/Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	45.15	ACUITE B+/Stable

## Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-49294022 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Avadhoot Mane Senior Analyst - Rating Operations Tel: 022-49294052 <a href="mailto:avadhoot.mane@acuite.in">avadhoot.mane@acuite.in</a>	

### About Acuité Ratings & Research:

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