

Press Release

Voora Property Developers Private Limited

February 18, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 65.43 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of **'ACUITE BB+' (read as ACUITE Double B plus)** on the Rs. 65.43 crore bank facilities of Voora Property Developers Private Limited (VPDPL). The outlook is **'Stable'**.

About the Company

VPDPL incorporated in 1995 is a Chennai based real estate developer. It is the flagship company of Voora Group. The company primarily focuses on acquisition, promotion and property development. It was started by Mr. V. Lakshmi Narasimha Rao. He was later joined by his two sons Mr. Pawan Voora and Mr. Suman Voora in management of VPDPL.

VPDPL is currently developing two residential projects - Voora Ocean's 27 and T-Block. Voora Ocean's 27 is located at Tondiarpet, Chennai and will consist of two sea-facing towers of twenty four floors each. It will have 132 flats with saleable area of 2,20,000 square feet. Under the development agreement 87 of them belong to VPDPL and rest to the land owner. The cost of project is Rs. 80.00 crore (excluding the finance costs). T-Block located in CB Road area of Chennai was initially a commercial project that the Company is in process of converting to a residential one. It was a convention center located in the premises of VPDPL's older project 'Voora Vidyasagar Oswal Garden' completed in 2017. The post conversion residential project will have 38 flats saleable area of 53,308 square feet. The construction of the convention center was completed in 2018, an additional cost of Rs. 8.07 crore (excluding the finance cost) needs to be incurred for the conversion.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of VPDPL for arriving at this rating.

Key Rating Drivers

Strengths

• Extensive experience and established track record of operations

VPDPL is a family run real estate developer started by Mr. V. Lakshmi Narasimha Rao in 1995. Mr. Narasimha Rao has an experience of over two decades in real estate development primarily in and around Chennai. Currently, his two sons Mr. Pawan Voora and Mr. Suman Voora look after the day to day operations of the Company. The senior management is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected in the VPDPL's established track record of execution. It has executed total of twelve residential and commercial projects measuring ~14.51 lac square feet in and around Chennai since 2002.

Acuite believes VPDPL is expected to benefit from extensive experience of its promoters and its established track record of execution.

• Locational advantage for ongoing projects

VPDPL is developing Ocean's 27 close to the sea line in Tondiarpet, Chennai and all the apartments are expected to be sea facing. The location advantage of the project is further enhanced by its close proximity to Toll Gate metro station and an upcoming mega shopping mall. T-Block project is located in the premises of 'Voora Vidyasagar Oswal Garden' an 880 flat residential complex completed by VPDPL in 2017 which is almost fully occupied. Thus, post conversion the new project is expected to benefit from the existing demand for residential units in the area.

Acuite expects the location of VPDPL's projects to have a favorable impact on the expected demand, reducing the demand risk of the projects to some extent.

Weaknesses

• Project execution risk

VPDPL is currently developing two residential projects - Voora Ocean's 27 and T-Block. Voora Ocean's 27 is located at Tondiarpet, Chennai and will consist of two sea-facing towers of twenty four floors each. It will have 132 flats with saleable area of 2,20,000 square feet. Under the development agreement 87 of them belong to VPDPL and rest to the land owner. The cost of project is Rs. 80.00 crore (excluding the finance costs). Out of this Rs. 31.70 crore (~40 percent) has been incurred as of December, 2020. Rs. 16.15 crore has been funded by customer advances and rest by promoter's contribution. The project further requires infusion of Rs. 48.30 crore which is to be funded primarily by debt of Rs. 40.00 crore. Financial tie-up for this debt is still pending, thus increasing the project execution risk. The risk is mitigated to some extent by good sales traction observed in the project. Out of the total 132 flats VPDPL has sold 64 flats (~48 percent), out of the total flats sold 45 belong to VPDPL and rest to the land owner. VPDPL has received Rs. 11.36 crore advances on its share of sold flats and expects further receivable of Rs. 34.63 crore. T-Block located in CB Road area of Chennai was initially a commercial project that the Company is in process of converting to a residential one. Some approvals toward the same are pending. It was a convention center located in the premises of VPDPL's older project 'Voora Vidyasagar Oswal Garden' completed in 2017. The post conversion residential project will have 38 flats saleable area of 53,308 square feet. The post conversion cost of project is Rs. 31.09 crore out of which Rs. 23.02 crore is already incurred. An additional cost of Rs. 8.07 crore (excluding the finance cost) needs to be incurred for the conversion. This will primarily be funded by customer advances as complete debt of Rs. 22.48 crore has been disbursed. Sales will begin once the approvals for conversion are in place.

Acuite believes VPDPL's ability to close financial tie ups and key approvals for timely execution of projects remains a key rating sensitivity.

• Susceptibility to real estate cyclicity and regulatory risk

VPDPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the real estate industry. The real estate sector is under stress on account of large amounts of unsold inventory and high borrowing costs. This is further aggravated due to the COVID pandemic which has negatively impacted incomes of people indirectly affecting demand for real estate segment. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk which is likely to impact players like VPDPL, thereby impacting its operating capabilities.

Liquidity Position: Stretched

VPDPL has moderate customer advances and receivables against cost to be incurred in the Ocean's 27. It will be dependent on timely financial tie up for rest of the funding. In its other project VPDPL will mainly be dependent on customer advances for its project funding and debt repayment. Acuite expects VPDPL's liquidity profile to be stretched on account of pending financial tie-up and higher dependence on customer advances for project completion reducing the financial flexibility in case sales traction is lower than expected.

Material Covenants

None

Rating Sensitivities

- Ability to close financial tie-ups and key approvals for timely completion of project

Rating Outlook: Stable

Acuite believes that VPDPL will maintain a stable outlook over medium term on account of established track record of execution and experience of management. The outlook may be revised to 'Positive' in case the company achieves higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of delay in financial closure or slower than expected customer advances leading to delay in project execution.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	7.08	19.70
PAT	Rs. Cr.	0.06	1.98
PAT Margin	(%)	0.83	10.04
Total Debt/Tangible Net Worth	Times	1.91	1.79
PBDIT/Interest	Times	1.07	1.32

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-55.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 Loan	Not Available	Not Applicable	Not Available	21.33	ACUITE BB+ /Stable (Assigned)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	4.10	ACUITE BB+ /Stable (Assigned)
Proposed Term loan	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BB+ /Stable (Assigned)

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