



Press Release
VERTEX HOMES PRIVATE LIMITED
June 20, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	320.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	420.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 320.00 Cr. bank facilities of Vertex Homes Private Limited (VHPL). The outlook remains '**Stable**'.

Acuite has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs. 100.00 Cr. bank facilities of Vertex Homes Private Limited (VHPL). The outlook is '**Stable**'.

Rationale for upgrade :

The rating upgrade considers the improved operational performance of Vertex Group in marked by healthy sales and collection traction in its key ongoing projects ('Kinston Park', 'Viraat', 'Bougainvilla', and 'Pristine' under VHPL and one under VVDL named '33-West') during FY2024. As of March 31, 2024, collectively for five projects, the group has been able to sell an area of around 0.29 lakh sq ft, and the group has completed around 68 percent of construction as on March 31, 2024, against which it has already received healthy bookings of 94 percent and received customer advances of 73 percent as a percentage of the total saleable value. Further, the rating factors in the successful completion of various projects in the past by the Vertex Group and the locational advantage of the current on-going project.

The rating, however, remains constrained on account of geographical concentration risk, as all ongoing projects of the group are in Hyderabad, and exposed to inherent cyclicity in the real estate industry.

About Company

Incorporated in January 2000, Vertex Homes Private Limited (VHPL) is a Hyderabad (Telangana) based residential real estate developer, promoted by Mr. Vegesna Venkata Rava Varma and Mr. Chakka Guru Muralli Mohan. VHPL is into the development of real estate projects in Telangana and Andhra Pradesh. VHPL is presently developing 4 residential projects in Hyderabad with a cumulative saleable area of 51 lakh square feet to construct 1500 flats and 315 Villas. Of this VHPL's share consists of 25.33 lakh square feet involving 1011 flats and 171 Villas.

About the Group

Incorporated in 2019, Vertex Vega Developers LLP (VVDL) is a Hyderabad (Telangana) based residential real estate developer, promoted by Mr. Vegesna Venkata Rava Varma and other family members. VVDL is also into the development of real estate projects in Telangana and Andhra Pradesh. VVDL is presently developing a residential project in Hyderabad with a saleable area of 9.23 lakh square feet to construct 534 flats. Of this VVDL's share consists of 6.76 lakh square feet consisting of 283 flats.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the financial and business risk profiles of Vertex Homes Private Limited with Vertex Vega Developers LLP (VVDL), hereinafter, referred to as “Vertex Group” on account of their common management and brand name, operational and financial linkages.

Key Rating Drivers

Strengths

- **Experienced promoters, demonstrated track record and favourable location of the ongoing projects**

The group is promoted by Mr. Vegesna Venkata Rava Varma and Mr. Chakka Guru Muralli, who have more than two decades of experience as real estate developers through various projects executed under the group. The Vertex Group consists of other group entities as well, such as ‘Vertex Nirman LLP’ and ‘Vertex Siri Developers LLP’, which are engaged in similar lines of business. The vertex group as a whole has completed more than 6 million square feet of residential and commercial projects and plans to add another 5–6 million square feet of residential space by way of its ongoing and upcoming projects. Alongside, the brand equity of ‘VERTEX’ enjoys a reputation in the Hyderabad (Telangana) region. With a successful track record in past projects, the group has the intent of executing larger residential projects. The group, with its strategic positioning, has created brand equity and is now among the top 15 real estate developers in Telangana in the affordable segment. Besides, the on-going projects are located strategically in the planned areas of Hyderabad (Telangana). The location of the projects is very well developed, both residentially and commercially, with a lot of scope for further development. Commercial complexes, including supermarkets, schools, restaurants, hospitals, fitness centers, and banks, are abundant in the closest vicinity of the proposed location. Acuité believes that the promoters have demonstrated good execution capabilities with a reputation for quality and timely completion. Promoters’ industry experience is expected to support the successful sale of units in ongoing and upcoming projects.

- **Low project risk**

The group is presently developing five residential projects (under the names ‘Kinston Park’, ‘Viraat’, ‘Bougainvilla’, and ‘Pristine’ under VHPL and one under VVDL named ‘33-West’) under JDA. The total saleable area of the aforesaid projects is 51 lakh square feet, with a total project cost of Rs. 2,027 crore and a total saleable value of Rs.3,818 Cr. Of the total saleable area, Vertex’s share is 32 lakh square feet, with a saleable value of Rs.2,300 Cr. The cost of the project is expected to be funded through 20.47 percent of debt and promoter contributions (in the form of equity and unsecured loans) and the remaining through customer advances. The funding risk is low as the group has already tied up for bank finance and the same has been disbursed. The promoters are high-net-worth individuals, and the promoter companies, being debt-averse, further mitigate the funding risk. Moreover, promoters will be supporting the project in case of any exigencies, and the group will be maintaining a debt service reserve account (DSRA) with a minimum of 3 months of principal plus interest once the debt is paid. The group has completed around 68 percent of construction as of March 31, 2024, against which it has

already received healthy bookings of 94 percent and received customer advances of 73 percent as a percentage of its total saleable value. Acuité believes that continuance of healthy sales and collection traction will be a key rating sensitivity.

Weaknesses

- **Geographical concentration risk and intense competition in the industry**

The group, through its promoter companies, has mostly executed its past projects in Hyderabad and Vijayawada. Moreover, the group is executing all the current projects in Hyderabad. The group would remain geographically concentrated until any further diversification to a different state. Furthermore, the group would continue to remain exposed to intense competition from larger players in Telangana like Jayabheri Group, Aparna Constructions and Estates Pvt Ltd, Prestige Group, My Home Group, Kalpataru Group, Mantra Group, and Lodha Group, amongst others.

- **Inherent cyclicity 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 the real estate industry are cyclical in nature (drop in property prices) and interest rate risk, among others, which could affect the operations.

Rating Sensitivities

- Realization of customer advances pending from already sold inventory
- Lower than expected sales traction leading to increased dependence on debt
- Sharp decline in cash flow due to slower customer advances or delays in project execution

Liquidity Position: Adequate

The liquidity of the group is adequate marked by healthy collection traction from the ongoing projects. It is further expected to have adequate liquidity which is to be supported by way of a secured payment mechanism with Escrow account, DSRA for 3 months of interest + principal and DSCR > 3x in base case scenario.

Outlook: Stable

Acuité believes that the group will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters in the real estate industry, healthy sales and collection traction. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch in its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	129.55	111.94
PAT	Rs. Cr.	9.44	8.69
PAT Margin	(%)	7.29	7.76
Total Debt/Tangible Net Worth	Times	1.08	0.98
PBDIT/Interest	Times	4.11	5.31

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Sep 2023	Term Loan	Long Term	300.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
07 Apr 2023	Proposed Long Term Loan	Long Term	300.00	ACUITE BBB- Stable (Reaffirmed)
07 Jan 2022	Proposed Long Term Loan	Long Term	275.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Loan	Long Term	25.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	320.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	100.00	ACUITE BBB Stable Assigned

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Vertex Homes Private Limited
2	Vertex Vega Developers LLP

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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