

## Rating Rationale

May 29, 2020 | Mumbai

## Vgn Property Developers Private Limited

Rating Reaffirmed

## Rating Action

Rs.400 Crore Non Convertible Debentures

CRISIL D (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments &amp; Bank Facilities

**Detailed Rationale**

CRISIL has reaffirmed its 'CRISIL D' rating on the non-convertible debentures (NCDs) of Vgn Property Developers Private Limited (VGN).

The rating continues to reflect delay in meeting debt obligation and VGN's exposure to cyclicity inherent in the real estate sector. These weaknesses are partially offset by the extensive experience of the promoter in the real estate sector

CRISIL believes the group's cash flow position could be adversely impacted by measures taken by the central government towards containment of COVID-19 which include temporary closure of non-critical establishments, resulting in complete stoppage of construction activity. This may affect future collections, while new sales may also witness a sharp slowdown, due to weak market sentiment. While all these measures are applicable till May 31, 2020, their revocation remains contingent upon directive from the Central government, and extent of spread of COVID-19. CRISIL will continue to monitor these events.

**Analytical Approach**

For arriving at the rating, CRISIL has factored in cash flow from VGN's Fairmont and Coasta projects, as the lenders only have charge on these cash flows. The projects are located at Guindy and East Coast Road, respectively, in Chennai. VGN maintains an escrow account for the cash flow from these projects, which are used as per the pre-agreed waterfall mechanism.

**Key Rating Drivers & Detailed Description****Weaknesses****\* Delay in meeting debt obligation**

The company delayed principal repayment and interest instalments on the NCDs during the third quarter of fiscal 2020. Payment due on December 31, 2019, was paid in full in March 2020, as confirmed by the investor.

**\* Exposure to cyclicity inherent in the real estate sector**

Exposure to risks and cyclicity inherent in the real estate sector result in volatility in both saleability and realisation, and hence, in cash flow. The residential real estate sector has remained under pressure because of weak demand and bearish consumer sentiment over the past few years, resulting in refinancing needs.

**Strength****\* Extensive experience of the promoter in the real estate sector**

VGN has a strong brand franchise in Chennai's real estate market, backed by the VGN group's presence since 1942. The group has completed projects of 16 million square feet (msqft). Its track record of timely implementation of projects and complete in-house operating capability enhance its reputation.

**Liquidity Poor**

Liquidity is weak. There has been a delay in meeting debt obligation because of cash flow mismatch.

**Rating Sensitivity Factors****Upward Factors**

- \* Track record of timely debt servicing for at least 90 days
- \* Sustainable improvement in the financial risk profile.

**About the Company**

Incorporated in 2009, VGN develops residential apartments and plots in Chennai. Mr D Pratish, promoter, holds a majority stake in the company; the remaining is held by his wife, Ms Divya Vemuri, and his mother, Ms D Padma. VGN has developed around 1.8 msqft of area till date, and 5 msqft of projects are under construction.

VGN Fairmont is a large residential project, with a total saleable area of 1.8 msqft. The property has 1,300 saleable units, and will be launched in a phased manner. VGN Coasta is a luxury residential project, with a total saleable area of 0.3 msqft. It consists of one tower, comprising 16 floors, and has units with three or four bedrooms, hall, and kitchen.

### Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Revenue	Rs.Crore	NA	409
Profit After Tax (PAT)	Rs.Crore	NA	3
PAT Margin	%	NA	0.8
Adjusted debt/adjusted networkth	Times	NA	4.34
Interest coverage	Times	NA	1.04

**Any other information:** Not applicable

### Note on complexity levels of the rated instrument:

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### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Rating assigned with outlook
INE723O07041	Non-Convertible Debentures	6-Feb-15	19%	31-Mar-20	400	CRISIL D

### Annexure - Rating History for last 3 Years

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non Convertible Debentures	LT	400.00 29-05-20	CRISIL D	06-04-20	CRISIL D	11-10-19	CRISIL D	31-05-18	CRISIL D	30-05-17	CRISIL D	CRISIL BB-(SO)/Stable
				07-01-20	CRISIL D	24-05-19	CRISIL D					

All amounts are in Rs.Cr.

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Rating criteria for Real Estate SPVs](#)

[Framework for Assessing Information Adequacy Risk](#)

[CRISILs Approach to Recognising Default](#)

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