

Rating Rationale

Brickwork Ratings assigns ‘BWR B’ for the Bank Loan Facilities aggregating ₹ 16 Cr of Yuga Builders.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of ₹ 16 Cr of Yuga Builders (“the firm”).

Facility (Existing)*	Amount (₹ Cr)	Tenure	Rating
Fund Based Term loan	16.00	Long term	BWR B (Pronounced BWR Single B) Outlook : Stable
Total	16.00	(INR Sixteen Crores only)	

BWR has principally relied upon the audited financial results up to FY14, provisional financials up to 30th Sept, 2014 and projected financials up to FY 2016 publicly available information and information/clarifications provided by the firm.

The ratings reflect the experienced management, medium term revenue visibility and progress in project construction. The ratings are, however, constrained by the firm’s medium scale of operations, both operating profit and net profit showing a decreasing trend accounting to low profitability, high gearing and weak debt protection metrics, instances of rescheduled debt repayments, default by one of the partners viz CCCL in their bank loan repayments and high intensity of competition from other real estate players in Chennai.

Background:

Yuga Builders is a partnership firm started by Consolidated Construction Consortium Limited (50% share) and Yuga Homes Ltd (50% share) on 30th November 2006 at Chennai to carry on the business of entering into joint venture arrangement with land owners for promoting/developing group housing project. The firm has undertaken only 2 projects till date. It is reported by the firm that , in a joint venture arrangement with land owners, Yuga Builders has developed a project at Koyambedu, Chennai in around 3.74 acres in the name Kalpataru, a residential township of around 220 apartments which is since completed and handing over is in process and the bank Loan availed for this project has been repaid.

Yuga Builders has taken up another project viz., ALTA, a residential township of around 400 apartments, is being developed in 3 acres in Phase-1, in Thaiyur, Old Mahabalipuram Road (Opp.SSN College). The project is a Joint Venture arrangement with land owners viz., M/s.Shatapatri Estates Pvt. Ltd.

The project configuration is 7 multistoried building towers of Stilt +11 & Stilt + 12 Floors. Apartments sizes ranges from Single Bedroom of 570 sq.ft., to 581 sq.ft.; Double Bedrooms of 969 sq.ft., to 1013 sq.ft., and Triple Bedrooms of 1127 sq.ft. to 1302 sq.ft.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The land extent tied-up currently is around 3 acres and development of Blocks – EFGA housing 232 apartments are reportedly almost complete and development of the balance Blocks – BCD housing 167 apartments, are under progress.

Building Plan is approved by Directorate of Town & Country Planning (DTCP). Construction and marketing of apartments has commenced (approved vide 24(1 to 13) /2011 by DTCP, dated 17.06.2011 and Building Permit by Thaiyur Panchyat, dated 27.06.2011).

Management Profile:

The firm Yuga Builders is managed by the directors of CCCL and Yuga Homes Ltd.

Mr. S.Sivaramakrishnan who is the Managing Director of CCCL has over 30 years of experience in the construction sector and has served as Engineer with the ECC division of Larsen and Toubro Limited. The other director of CCCL Mr.V.G.Janarthanam has over 25 years of experience with Larsen and Tubro Ltd, in the construction sector with special emphasis on tendering and contract management. Mr.R.Viswanathan is the Director of Yuga Homes Ltd has been involved in the Real Estate industry, for nearly 15 years now.

Though M/s.CCCL is a Partner in this firm Yuga Builders, it is reported that they are not involved in the day-to-day operations of the firm. Yuga Builders has been handling both its Kalpataru & Alta Vida projects, since 2011 and have effectively brought Kalpataru project in full and Alta Vida, 1st phase, to completion stage.

Financial Performance:

In FY14, the firm made revenue of Rs 29.27 Crs compared to Rs.15.64 Crs in FY 13, though there is consistent increase in revenue, profit after tax is continuously getting reduced from Rs.1.83 Cr in FY 13 to Rs.0.25 Crs in FY 14. Net profit margin is very low at 0.84% for FY 14.

As per provisional results up to 30.9.14, the firm achieved revenue of Rs.19.19 Crs and profit of Rs.0.04 Crs.

Tangible net worth of the firm as on 31.3.14 is Rs. 19.58 Crs.

Rating Outlook

The outlook of the firm is expected to be stable over the medium term. Going forward, the firm's ability to complete the project in a timely manner, ensure need based financial support from the promoters, achieve booking/sale of flats at envisaged margins and sustain its capital structure and timely repayment of debt will be the key rating sensitivity factors.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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