

Rating Report

Brickwork Ratings assigns “BWR BB” ratings for the proposed Bank Loan Facilities aggregating ₹70 Crs. of Avigna Properties Pvt Ltd

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the proposed Bank Loan Facilities of ₹70 crores of Avigna Properties Pvt Ltd (APPL or “the Company”)

Facility	(Amount ₹ Crs)	Tenure	Rating [^]
Fund Based-Proposed Term Loans	70.00	Long term	BWR BB (Pronounced BWR Double B) Outlook: Stable
Total	70.00	(Rupees Seventy Crores Only)	

BWR has principally relied upon the audited financial results up to FY15, provisional financials of H1FY 16 and projected financials up to FY18, publicly available information and information/clarifications provided by the Company.

The ratings reflect the experienced management, medium term revenue visibility and progress in project construction. The ratings are, however, constrained by the Company’s medium scale of operations, high gearing and weak debt protection metrics, and intense competition from other real estate players in Chennai.

Background:

Avigna Properties Private Limited incorporated during the year 2011 having its registered office at Anna Nagar West, Chennai.

The company was formed for the purpose of construction of residential villas and apartments. The project of the company “AVIGNA CELESTE” is being implemented at Chengalpet District. The Project was launched in March 2014.

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

The project Avigna Celeste is having total 386 villas of 2 variants , Variant 1 includes luxury villas of 2025 sq ft, variant 2 includes luxury villas of 2450 sq ft. and variant 3 are deluxe villas of 1020 sq ft. The project also include Maharishi vidya Mandir school and the amenities include a club house, commercial space, jogging track , swimming pool, tennis court etc.

Another group company, Avigna Housing Private Limited incorporated during the year 2012, has undertaken a project “AVINGA EMINENCE” which is in progress at Chengalpet District behind Mahindra World City. The Project was launched during the year 2015.

Over a period of time, the promoters have aggregated 100 acres of land behind Mahindra World City, Chengalpet and part of the land was sold to Mahindra World City . On the balance land admeasuring 24.53 acres Avigna Celeste was implemented to construct 624000 sq ft of villas and 114000 sq ft of Apartments. In addition to that the company has constructed the school which is in operation for second year. The company is also constructing a club house and partnering with ISKCON to construct a big temple for Lord Krishna.

Management Profile:

The managing director of the company Mr.S.Rajasekaran, is also engaged in the garment sector and education industry. The managing director of the company Mr.S.Rajasekaran, is also into textile business viz., Dignity Innovations for the last 20 years which is exporting garments to European countries. He is also into education industry as a trustee to AVS Educational Trust running engineering college, Nahar Public School etc. Now he is added another school “ Maharishi Vidya Mandir” inside the project under the brand of Maharishi Vidya Mandir Educations.

Financial Performance:

The Company has shown improvement in the revenue from the year FY14 and earned revenues of Rs.43.37 Crs in FY15 Profit after tax has also increased from Rs.0.16 Cr in FY 14 to Rs.1.16 Crs in FY15. Net profit margin is at 2.43% for FY 15. Tangible net worth of the firm as on 31.3.15 is Rs. 10.28 Crs.

Credit Risk Determinants:

Support from Promoters: The promoters are well experienced and managing diverse businesses. Out of promoters contribution of Rs.20 Crs for this project, they have brought in Rs.9 crs by way of share capital and propose to bring in another Rs.15 crs by 31.3.16

Medium term revenue visibility: The operating income earned upto Sept 2015 is Rs.23.69 Crs profit reported upto Sep 15 is Rs.1.25 Crs. This is in line with the the projected revenues and profit for FY 16.

Medium scale of operations: Company has got bookings for 116 apartments out of 386 apartments (around 30%). On the booked apartments, against receivable of Rs.62 Crs., the company has received Rs.52.06 Crs only. The Company has reported revenue of Rs.43.37 Crs in FY 2015.

High gearing and weak debt protection matrix: The debt equity ratio is high at 3.14 as on 31.3.15 as there were long term loans with AxisBank to the extent of Rs.15Crs. But it is projected to increase further up to 5.11 in FY 2016 due to increase in long term loans up to Rs.95 crs. The interest service coverage ratio is projected to reduce to a low level of 1.23. The debt service coverage ratios for FY2014 and FY2015 are low.

Rating Outlook

The outlook of the Company is expected to be stable over the medium term. Going forward, the Company's ability to complete the project in a timely manner, achieve booking/sale of villas at projected levels and improve its capital structure 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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Annexure I: Summary of Balance sheet of Avigna Properties P ltd (Rs in Crs)

Balance Sheet			
Crores	31/Mar/2013	31/Mar/2014	31/Mar/2015
Liabilities			
EQUITY AND RESERVES	9.00	9.16	10.32
Share capital	9.00	9.00	9.00
Reserves and Surplus	0.00	0.16	1.32
Non-current liabilities	8.06	29.59	26.47
Long-Term Borrowings	8.06	29.57	26.44
Deferred tax Liabilities (Net)	0.00	0.01	0.02
Other Long Term liabilities	0.00	0.00	0.00
Long-Term Provisions	0.00	0.01	0.01
Current liabilities	0.08	12.37	13.74
Short-Term Borrowings	0.00	0.00	0.00
Current Portion Of Long Term Debt	0.00	5.02	5.83
Trade Payables	0.00	3.72	4.72
Other Current Liabilities	0.04	3.01	1.62
Short-Term Provisions	0.04	0.62	1.57
Total Liabilities	17.14	51.12	50.53
ASSETS			
Non-current assets	16.02	1.66	1.39
Net Fixed assets	16.02	1.20	1.31
Other Non Current Assets	0.00	0.46	0.08
Current assets	1.11	49.46	49.15
Current Investments	0.00	0.00	0.00
Inventories	0.00	30.57	29.81
Trade Receivables > Six Months	0.00	0.00	0.00
Trade Receivables < Six Months	0.00	5.28	7.35
Cash and Cash Equivalents	0.23	0.99	0.91
Short-Term Loans and Advances	0.82	12.56	11.04
Miscellaneous Expenditure To the Extent Not Written off(Current)	0.06	0.05	0.04
Total Assets	17.14	51.12	50.53

Annexure II: Summary of Profit & Loss a/c (Rs in Crs)

Profit and Loss Account

Crores	31/Mar/2013	31/Mar/2014	31/Mar/2015
Result Type	Audited	Audited	Audited
Gross Sales	0.00	7.69	43.37
Traded Goods Sales	0.00	0.00	0.00
Excise Duty/Sales Tax	0.00	0.00	0.00
Net Sales	0.00	7.69	43.37
Other Operating Income	0.00	0.00	4.38
Total Operating Income	0.00	7.69	47.75
Operating Expenses	0.00	7.30	45.77
OPBDIT	0.00	0.39	1.98
Depreciation/Amortization/Impairment	0.00	0.08	0.13
OPBIT	0.00	0.31	1.84
Interest and Finance Charges	0.00	0.01	0.08
OPBT	0.00	0.30	1.76
Non Operating Income(Expenses)	0.00	0.00	0.00
PBT	0.00	0.30	1.76
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	0.04
Provision for Taxes	0.00	0.14	0.64
PAT(Continuing Operations)	0.00	0.16	1.16

Annexure III: Key ratios*

Particulars	FY 13	FY 14	FY 15
Tangible Net Worth	8.94	9.11	10.28
Capital Employed	16.99	43.70	42.57
Total Debt/TNW	0.90	3.80	3.14
Long Term Debt/TNW	0.90	3.25	2.57
TOL/TNW	0.10	3.46	2.81
ISCR	-	45.77	23.70
DSCR	-	0.21	0.27
Net Cash Accruals/Total Debt	0.00	0.01	0.04
Net Cash Accruals/Long Term Debt	0.00	0.01	0.05
Net Profit Margin	-	2.08	2.43
Operating Profit Margin	-	5.08	4.14
ROCE	0.00	1.03	4.27
Current Ratio	13.65	4.00	3.58
Days Receivables	-	125	53
Days Inventory	-	1252	269
Days Payable	-	242	81
Conversion Cycle	-	1135	241

*calculations are based on BWR definition