

VBHC Mumbai Value Homes Private Limited

Instrument	Amount Rated	Rating Action
	In Rs. Crore	As in April'16
Term Loan	70.00 -> 79.00	[ICRA]BBB(Stable) Upgraded
Cash Credit	0.00 -> 5.00	[ICRA]BBB(Stable) Upgraded
Total Limits	70.00 -> 84.00	

ICRA has upgraded the long term rating of [ICRA]BBB- (pronounced ICRA Triple B minus) to the Rs 84.00 crore fund based facilities (enhanced from Rs. 70.00 crore) of VBHC Mumbai Value Homes Private Limited (VMVH). The outlook on the long term rating is *stable*.

ICRA has taken a consolidated view of VBHC group including the parent company VBHC Value Homes Private Limited (VBHC) and its subsidiaries VBHC Mumbai Value Homes Private Limited, VBHC Delhi Value Homes Private Limited, VBHC Delhi Projects Private Limited, VBHC Chennai Value Homes Private Limited, Ivorybrick Homes LLP and VBHC Bangalore Value Homes Private Limited due to the strong operational and financial linkages.

The rating upgrade takes into account the periodic and timely infusions made by VBHC to finance VMVH's debt repayment obligations and project funding requirements and the steady progress and the healthy sales velocity in the ongoing Palghar (near Mumbai, Maharashtra) and Kengeri (near Bengaluru, Karnataka) projects. The rating continues to draw comfort from VBHC groups' experienced management and the strong promoter profile. The rating continues to draw comfort from VBHC's experienced management and strong promoter profile. The rating also derives comfort from the regular equity infusions from the investors into the parent company, which besides lowering the reliance on debt has also enabled to the group to grow and diversify its business into new geographies. The rating also factors in the satisfactory progress of the projects being executed by VBHC's subsidiaries, in terms of execution and marketing.

The rating is however constrained by exposure to project implementation risks in the form of funding, execution and market risks for the considerable large unlaunched portion in the projects. However, sale of an apartment block with a saleable area of 0.107 mn sqft in the Palghar project to Van Herk group in Apr'16 reduce the market and funding risks to an extent. The rating is also constrained by high repayment obligations of the company in FY17 and FY18, which increases reliance on incremental customer advances and support from the parent company – VBHC. The reliance on parent company may further increase in case of exit is to be given to the external investor in the Kengeri project. The rating is further constrained by weak financial profile of the company as indicated by low net worth and profitability. The rating is further constrained by exposure of the company to inherent cyclicity in the real estate sector and presence of the company in the price sensitive affordable housing segment.

The group's ability to maintain healthy sales velocity for the unsold inventory in the current and upcoming projects, to collect customer advances and execute the projects in a timely manner; and the quantum of investments in land bank would be the key rating sensitivities. Further the exit path given to the external investor and impact of the same on the company's cash flow will be the other key monitorable.

Company Profile

VBHC Mumbai Value Homes Private Limited, a subsidiary of VBHC is currently developing two projects at Palghar, Mumbai and Kengeri, Bangalore with total saleable area of 1.53 million sqft and 1.37 million sqft respectively. The total land area with the company in Mumbai for the Palghar project is around 47 acres, out of which currently development is being carried out on 16 acres of land. For the Kengeri project, the company is undertaking development on a land of 18 acres. The total expected sale value for the H, B and A blocks under development at Palghar is Rs. 190 crore while the total expected cost (excluding interest) is Rs. 153 crore. For the Kengeri phase-I project spread over 3.8 acres, the total expected sale value is Rs. 60 crore while the expected cost is Rs. 54 crore. The Kengeri Phase-II project for development of 1950 apartments launched in September'15 is estimated to cost Rs 390 crore and achieve a sales value of Rs 540 crore.

Group Profile

The VBHC Group is promoted by Mr. Jerry Rao, with focus on the 'affordable housing' segment. VBHC Value Homes Private Limited (previously Value and Budget Housing Corporation Private Limited) (VBHC) is holding company of the VBHC group and was incorporated in 2008. The company does not have any operations of its own but holds 100%% stake in the SPVs (VBHC Delhi Value Homes Private Limited, VBHC Delhi Projects Private Limited, VBHC Chennai Value Homes Private Limited and VBHDC Bangalore Value Homes Private Limited) of the group except VBHC Mumbai Value Homes Private Limited wherein it has 81% and Ivorybrick Homes LLP wherein it has 51% shareholding. The group has incorporated the regional subsidiaries to undertake projects and currently has six ongoing projects in Annekal (Bangalore), Kengeri (Bangalore), Bhiwadi (NCR), Oragadam(Chennai), Palghar(Mumbai) and Vasind (Mumbai); these projects are being developed in separate project companies for each of the cities. The group has also received funding from various investors including HDFC, First Carlyle, International Finance Corporation, India Financial Inclusion Fund, Daiwa House Industry, Tano Capital amongst others.

Recent Results

Stand-alone financials: For the financial year 2014-15, the company's net profit stood at Rs. 2.6 crore on an operating income (OI) of Rs. 77.9 crore as compared to a net profit of Rs. 0.07 crore on an operating income of Rs. 33.4 crore for 2013-14.

Consolidated Financials: For the financial year 2014-15, the VBHC group's net profit stood at Rs. 10.15 crore on an operating income (OI) of Rs.190.37 crore as compared to net loss of Rs. 55.06 crore on an operating income of Rs. 125.54 crore for 2013-14. For the nine months ending December'15 the company reported a loss of Rs 6.53 crore on an operating income of Rs 119.87 crore.

April 2016

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