

Vagad Enterprises

Instrument	Amount	Rating Action
Fund-based Limit – Term loan	Rs.17.00 crore	[ICRA]B+; assigned

ICRA has assigned a long-term rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs.17.00¹-crore term loan facility of Vagad Enterprises (VE or the firm)².

The assigned rating is constrained by the low bookings (46%) achieved by the firm till date vis-a-vis the project execution status. The project is located at Dronagiri in Navi Mumbai which is still developing. This coupled with the competition from the upcoming residential projects in the vicinity accentuates the sales risk impacting the marketability of the project. The firm's operations further remain exposed to the cyclicity of the real estate sector.

The assigned rating however, favourably factors in the established experience of the management in the real estate sector and the strong and established presence of the Akshar group within Navi Mumbai for the execution of residential and commercial projects. The firm has completed the RCC work for both towers and anticipates completing the plastering, tiling, plumbing and other works by December, 2016. With ~86% of the estimated project cost incurred till June, 2016, the execution risk of the project remains low.

ICRA expects the project to be completed on schedule and firm to book revenues in FY2017-18. While the project is expected to be completed by December, 2016, the repayment of the term loan availed for the project is also expected to commence at the same time. The limited cushion between the two will expose the firm to refinancing risks. Consequently, the timely receipt of bookings and collection of advances remain critical. Any delays in either of the two parameters will affect the firm's cash flow position and its ability to timely service its debt. Nevertheless, the timely infusion of funds by way of equity or unsecured loans from promoter group to meet any shortfall in advances for completing the project and servicing the debt obligations will be a rating positive. However, Vagad Enterprises being a partnership firm, any significant capital withdrawals by the partners would adversely impact the firm's capital structure

Firm profile

Established as a partnership firm in 2010, Vagad Enterprises (VE) commenced the development of its first residential real estate project viz. Akshar Evvora in June 2014. The project is located at Dronagiri, Navi Mumbai and comprises two towers of 117 two BHK apartments with a total saleable area of 1,20,285 sq ft. The project is expected to be completed by December, 2016.

Vagad Enterprise is a part of the Akshar group which has a strong and established presence in the Navi Mumbai real estate market.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Parul Goyal Narang (Tel No. +91 11 2335 7940)
parul.goyal@icraindia.com

Roshni Suvarna (Tel. No. +91 22 67816124)
roshni.suvarna@icraindia.com

Rupa Pandey (Tel.No. +91 22 67816165)
rupa.pandey@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500