

Vadehra Builders Private Limited

Instrument	Amount Rated	Rating Action
	In Rs. Crore	As of December 2016
Fund-based Limits	28.00	[ICRA]BB+(Stable); <i>(reaffirmed)</i>
Non-fund Based Limits	11.32	[ICRA]A4+; <i>(reaffirmed)</i>
Total	39.32	

ICRA has reaffirmed its long-term rating on the Rs 28.00-crore fund-based facilities of Vadehra Builders Private Limited (VBPL) at [ICRA]BB+ (pronounced ICRA double B plus)*. The outlook on the long-term rating is 'Stable'. ICRA has also reaffirmed its short-term rating on the Rs 11.32 crore non-fund based bank facilities of VBPL at [ICRA]A4+ (pronounced ICRA A four plus).

The ratings continue to draw comfort from the track record and established market position of VBPL, with its reputed art gallery, having built a sizeable inventory base of artwork, as well as its long standing association with renowned international auction houses. The rating reaffirmation takes into account the revenue growth of 24% in FY2016 owing to higher art sales and better order execution in the interior design business. Healthy order book and regular repeat orders from existing clients in the interior designing segment provides stability to VBPL's operations as well as an offset plan to the art segment, which is relatively more vulnerable to economic cycles. ICRA also takes into account the enhancement in non-fund based limits, which support smooth execution and growth in order book. The ratings continue to factor in the company's sizeable insured inventory of artwork (~Rs 193 crore as of Sep 30, 2016, up from ~Rs 175 crore as of Sep 30, 2015) and its limited indebtedness.

However, the ratings are constrained by the subdued market conditions for artwork as an alternative source of investment, given the current weak economic scenario, threat from fakes and also competition from other investment avenues. Risk of potential volatility in artwork sales is further accentuated by demonetisation in India, leading to expected weaker sales in FY2017. This apart, the ratings remain constrained by VBPL's modest profitability (NPM of 0.75% in FY2016) and return indicators (ROCE of 6.02% and RONW of 1.46% in FY2016). While VBPL's working capital cycle remains high on the back of very high inventory levels and receivables (NWC/OI reduced to 53.9% in FY2016 from 73.3% previous year), the company has also been carrying out a capital expenditure, which has resulted in higher funding requirements. The ratings also factor in high geographical concentration of the order book, with majority orders from the National Capital Region.

Going forward, VBPL's ability to sustain its revenue growth and improve its profitability and return metrics while managing funding requirements will be the key rating sensitivity.

About the Company

VBPL, a closely held company, was incorporated in 1983. It is promoted by Mr. Arun Vadehra. VBPL's operations are diversified across two main categories, namely trading in works of art and interior design and fit-outs along with furniture manufacturing. In its art business, the company sells art works through auctions for which it has tie-ups with international players such as Christie's, Grosvenor and also through its own art galleries. In the interior designing business, VBPL caters to prominent clients including HCL Technologies, PVR Ltd, MGF, IREO, WAVE etc.

Recent Results

In FY2016, the company reported a net profit of Rs 0.66 crore on an operating income of Rs 88.41 crore, as compared to a net profit of Rs. 0.09 crore on an operating income of Rs. 71.27 crore in the previous year. On a provisional basis, the company reported revenue of Rs 48.77 crore in H1 FY2017 as compared to revenue of Rs 44.79 crore in H2 FY2016.

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