

Vasu Infrastructure Private Limited

April 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.96 (Reduced from 24.49)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	16.96 (Rs. Sixteen Crore and Ninety-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating of the bank facilities of Vasu Infrastructure Private Limited (VIPL) continue to remain constrained due VIPL's dependence on fresh sales for project execution and repayment along with persisting subdued demand in the real estate sector. Nevertheless, the ratings draw strength from the experience of the promoters in real estate with established track, significant progress in execution with satisfactory overall booking status.

Rating Sensitivities

Positive Factors- Factors that could lead to positive rating action/upgrade

- Completion of the project earlier than the envisaged timelines and in lower than envisaged cost.
- Ability to increase collections/ realizations from its ongoing project per month to more than Rs.2.5 cr per month.

Negative Factors- - Factors that could lead to negative rating action/downgrade

- Completion of the project beyond the envisaged timelines and more than envisaged cost.
- Slowdown in collections/ sales momentum to lower than ~Rs.0.5 per month.

Detailed description of the key rating drivers

Key Rating Weaknesses

Significant dependence on fresh sales for project execution and debt repayment:

The company is developing a residential group housing project by the name of Fortune Residency with a total saleable area of 14.93 lsf (Phase1 and 2 consists of 11.93 lsf and phase3 consists of 2.9 lsf). Phase1 and Phase2 of the project has already been completed and the occupancy certificate in respect of the same has been received. Phase 1 & Phase 2 projects are debt free projects of VIPL and has unsold inventory of around Rs.10 crore and Receivables of Rs.5 crore as on March 2022. Further, cash flow from these projects are being used for construction of phase 3 of the project. The phase 3 of the project is at advance stages of implementation with 23% of the project cost yet to be incurred along with debt repayment of Rs.11.96 cr (total sanctioned of Rs.20cr of which company has taken debt disbursement of Rs.15 cr) commencing from November 2022. The sales momentum in the last has remained slow due to limited slow moving inventory and covid related disruptions. Therefore, going forward, it is imperative for the company to improve on the sales momentum in phase 3 sales.

Subdued industry scenario coupled with impact of COVID-19:

With the on-going economic conditions, the real estate industry is facing issues on many fronts. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc. thereby resulting in stress on cash flows. The industry has seen low demand for quite some time now primarily due to factors like sustained high level of inflation, which apart from keeping interest rates high, has adversely impacted the buying power and affordability for the consumers.

Key Rating Strengths

Experienced promoters with track record of operations in the industry:

Vasu Infrastructure Pvt Ltd is closely held Real Estate Company, established in March 2007. The promoters of the company Mr. Rakesh Aggarwal, Mr. Vineet Mittal & Mr. Pankaj Mittal. All the directors of the company have past experience in construction, development and marketing of real estate projects and are engaged in the same line of business through various group concerns namely RR Associates, Aggarwal & Associates, Aggarwal Homes (P) Ltd, Bankey Bihari Infrahomes Pvt Ltd, AIG Infratech (India) Pvt Ltd. and have already completed more than 25 projects in Shalimar Garden, Indrapuram and Ghaziabad with total salable area of approximately 10.51 lsf.

Significant progress in execution with satisfactory overall booking status:

The company is developing a residential group housing project by the name of Fortune Residency with a total salable area of 14.93 lsf (Phase1 and 2 consists of 11.93 lsf and phase3 consists of 2.90 lsf). Phase1 and Phase2 of the project has already

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

been completed and the occupancy certificate in respect of the same has been received (For phase 1, the occupancy certificate received in Jan, 2015 and for phase 2 in Oct, 2018 and in Dec, 2019). As far as Phase3 is concerned, which got started in Q2FY19, it is completed around 77% (PY: 48%). It is at advance stages of its execution and it is expected to get completed by Q2FY23. Out of the total salable area of 2.90 lsf, 1.31 lsf i.e. 45.17% of the area has been sold till February 15, 2022 at total value of Rs.42.27 crore of which the company has received Rs.19.75 crores.

Liquidity: Stretched

The liquidity profile of VIPL remains stretched on account of average monthly collections of ~Rs.1.5 crore from phase 1 & phase 2 and ~Rs.0.54 cr from phase 3 in the past 12 months ending February 15, 2022. Cash and Bank balance as on March 31, 2021 is Rs.1.98 crore. As on March 01, 2021, VIPL has an outstanding term loan of Rs.11.96 cr, out of which company has already repaid Rs.3.04 crore till March 31, 2022. Further the repayments of the same shall commence from November 2022 of Rs.0.80 cr per month. In order to ensure timely repayments of the same, it will be imperative for VIPL to ensure smooth collection trend.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Real Estate Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

VIPL, established in March 2007, is engaged in the activity of real estate development. The promoters Mr. Rakesh Aggarwal, Mr. Vineet Mittal & Mr. Pankaj Mittal have extensive experience in construction, development and marketing of real estate projects in Shalimar Garden, Indirapuram, Noida and Ghaziabad. VIPL has completed construction of Phase I and II of Fortune Residency which is a residential group housing project situated at Raj Nagar Extension. The saleable area is of 11.93 lsf. The company is undertaking the Phase III of the project with delivery target of Feb 2022.

Rs. Crore

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22
Total operating income	33.12	29.86	NA
PBILDT	3.76	3.06	NA
PAT	0.09	0.32	NA
Overall gearing (times)	0.66	0.54	NA
Interest coverage (times)	1.10	1.23	NA

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	October 2024	16.96	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	16.96	CARE BB+; Stable	-	1)CARE BB+; Stable (30-Mar-21) 2)CARE BB+; Stable (03-Apr-20)	-	1)CARE BB+; Stable (15-Jan-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Amit Jindal
Contact no.: +91- 11-4533 3233
Email ID: amit.jindal@careedge.in

Relationship Contact

Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

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