



Press Release

Veeraraghavan & Co (Veeraraghavan)

November 01, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	5.50	IVR BB / Stable (IVR Double B with Stable Outlook)	Assigned
Total	5.50 (Five Crore and Fifty Lacs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Veeraraghavan & Co factors Experienced Promoters with Demonstrated Track Record of Project Delivery, Strategic Project Location and Healthy Capital Structure. However, rating is constrained owing to Exposure of Cash Flows towards Covid-19 Impact and Inherent Risks & Cyclicalities Prevalent in Domestic Real Estate Sector.

Key Rating Sensitivities:

Downward Factors

- Any delay in progress of the project as per the schedule arising out of any company specific or external factor will be negative for the rating
- Any substantial cost overrun funded out of additional term borrowings

Upward Factors

Satisfactory project execution along with healthy sales, collections and net leverage position on a consistent basis will be credit positives

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with Demonstrated Track Record of Project Delivery

Veeraraghavan has a track record of more than 60 years in the real estate market. The firm has strong in-house project execution capability as well as a robust sales track record, as



Press Release

demonstrated through various completed real estate projects of colleges, auditoriums, schools, post office, residential real estate, factory, individual houses and a senior living community. Moreover, Veeraraghavan has strong brand presence in and around Coimbatore.

Strategic Project Location

Firm's project is located on outskirts of Coimbatore, having pleasant climate most of the year, low crime rate, availability of advanced healthcare facilities in the city alongwith project's tie-up with seven nearby hospitals, constant water supply and well-connected infrastructure with airport, railways station and close to main city. This strategic location assists in increased sales and profitability. As on 30/09/2021, firm has sold 35 villas of 100.

Healthy Capital Structure

Despite pandemic-related disruption, Veeraraghavan has been able to maintain healthy capital structure with overall gearing ratio of 0.87x and interest coverage of 3.57x in FY21. Also, the company has maintained adequate liquidity with cash and equivalents of Rs. 1.67Crore as on March 31, 2021 which is expected to increase with improvement in sales and collections.

Key Rating Weaknesses

Exposure of Cash Flows towards Covid-19 Impact

The sales velocity and cash flows in the real estate sector have been impacted by the disruption caused by the second wave of Covid-19, which could result in a weakening of its credit risk profile if there is pressure on operating metrics such as sales and collections. Further, the firm had faced a delay in its construction activities by six months. The rating factors in the exposure to high execution and marketing risks associated with the large unsold area, though as per management, demand and sales have accelerated post Covid-19 related lockdown.

Cyclical Prevalent in Domestic Real Estate Sector

The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure because of the presence of a large number of regional players. Moreover, the multiplicity of property laws and non-standardised Government regulations across states are



Press Release

likely to affect the tenure of project execution. In addition, being a cyclical industry, the real estate is highly dependent on macro-economic factors, which in turn make the company's sales vulnerable to any downturn in the real estate demand and competition within the region from various established developers.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The firm maintains moderate cash and bank balance to meet its liquidity requirements. In FY22, firm has made prepayment of term loan of Rs. 1.1 crore out of sale proceeds of villa. Further, the gross cash accruals in FY2022 are projected at Rs.1.47 crore, adequate to meet the maturing debt obligations. The projected cash flow over FY22 – FY24 is projected to remain positive. The overall liquidity position of the firm is assessed to be Adequate.

About the Company

Veeraraghavan & Co, a proprietorship Firm, was incorporated in 1952. It is a Coimbatore-based construction firm, promoted by Shri. P N Veeraraghavan Iyer. Over the years, Veeraraghavan & Co. has developed various multi-utility structures such as colonies, individual houses, apartments, schools, colleges, public utility buildings etc., over the years. Currently, firm is developing a real estate project, 'Pavithram' – a senior living facility of 100 villas, located on Kerala Main Road at Coimbatore.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Audited)
Total Operating Income	4.55	1.39	3.72
EBITDA	0.88	0.41	0.77



Press Release

PAT	0.80	0.18	0.50
Total Debt	0.79	1.93	4.22
Adjusted Tangible Net-Worth	2.47	5.05	4.84
Ratios			
EBITDA Margin (%)	19.43	29.40	20.76
PAT Margin (%)	17.66	13.20	13.52
Overall Gearing Ratio (x)	0.32	0.38	0.87

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities – Term Loan	Long Term	5.50	IVR BB/ Stable Outlook	--	--	--

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	FY24	5.50	IVR BB/ Stable
Total				5.50	

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Veeraraghavan-lenders-nnov21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.