



Press Release

Vajram Estates Private Limited (VEPL)

September 28, 2023

Ratings

Type of Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based Facility – Term Loan*	254.95 (Increased from 104.95)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Total	254.95 (Rupees Two Hundred and Fifty-Four Crore and Ninety-Five Lakh only)			

*Includes proposed term loan of Rs 70.00 Cr and LRD of Rs 135.00 Cr

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating of Vajram Estates Private Limited (VEPL) continues to derive support from Satisfactory execution track record, Funding Tie-ups for under construction Projects, Favourable location of the projects and Healthy collections momentum in Project Tiara & Project Newtown. The rating is however constrained by Moderate level of unsold inventory in the on-going projects, Project execution risk & Geographical Concentration risk and Cyclicity in real estate sector in India.

Key Rating Sensitivities:

Upward Factors:

Improvement in the sales velocity and collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.

Downward Factors:



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Weaker-than-anticipated sales performance and lower-than-expected collections which may lead to increased funding risk would be a negative trigger.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Satisfactory execution track record

The promoters have a satisfactory track record of executing residential real estate projects in Bengaluru for more than a decade. The company is currently developing projects in Bengaluru with an aggregate saleable area of 2.46 Isf (Vajram Newtown), 1.97 Isf (Vajram Onyx) and has successfully developed around 10.37Isf (Vajram Essenza, Vajram Elina, Vajram Tiara and Vajram Orchid) of area. They have also started 2 new projects with an aggregate saleable area of 4.03 Isf (Vajram HYDC CC) and 0.74 Isf (Vajram 95 South) in Hyderabad & Bengaluru respectively. The group is promoted by Mr. Pavan Vajram and Mr. Pradeep Vajram.

Funding Tie-ups for under construction projects

Company has tied up Rs.35.00 crore of term loan with SBI for construction of Project Newtown and the repayments for the project has commenced from April 2023. This is approximately 32% of the construction cost. The remaining costs will be financed by Equity from the promoters and customer advances. For Vajram Onyx project, earlier the company had availed 2 term loans of Rs 40.00 Cr and Rs 30.00 Cr which is now converted to Lease Rental Discounting (LRD) of Rs 135.00 Cr with a top up loan of Rs 65.00 Cr. In Vajram 95 South project, company has tied up Rs 15.00 Cr of term loan for construction of the project. As the company has adequate funding tie ups, the projects are not exposed to financial risks, and this will benefit smooth execution of the projects at scheduled timelines.

Favourable location of the projects

The ongoing project Newtown is located in Thanisandra main road which have seen large scale development of real estate projects. The location has emerged as a fast-developing locality with good connectivity to key IT clusters in the city. The project Tiara is located in Yelahanka main road which have presence of several residential projects. The location has good connectivity with the airport and the IT corridor along the outer ring road.



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Healthy collections momentum in Project Tiara & Project Newtown

VEPL sold 25 units in Vajram Tiara and 85 Units in Vajram Newtown during the period of last twelve months till Mar'23 showing good demand for both the projects.

Expected stable cash flow from lease rentals.

The company has a total leasable area of 2.07 lakh square feet in Vajram ONYX. Presently, the entire area is leased out to Sarla Infrastructure Private Limited (SIPL), which is a 100 percent owned SPV of Embassy REIT. Lease commencement date will start on 1st September 2023, rent commencement date will be starting on 1st Feb 2024 with lock in period of 60 months from the date of lease commencement date. The lease end date will be for 120 months from the date of lease commencement. There is a well-structured lease structure placed in with lock-in period, notice period and an in-built revenue escalation clause for its tenant along with maintenance of DSRA & escrow mechanism.

B. Key Rating Weaknesses

Moderate level of unsold inventory in the on-going projects

Out of total saleable area of 6.33 lsf in Tiara the company has sold area of 6.14 lsf (~ 97 %) and has an unsold inventory of 0.19 lsf (~ 3%). Also, out of total planned sales inventory in Project Vajram Newtown, which is under construction project, of 2.46 lsf the company has sold inventory of 1.79 lsf (~73%). Going forward it is critical to sell unsold inventory as the proceeds will be used for other projects.

Project execution risk & Geographical Concentration risk

Majorly the company's projects are being executed in Bengaluru micro-market, it is exposed to geographical concentration risk. Fortunes of the projects therefore will depend on the overall market sentiment in the region. However, a new project is coming up in Hyderabad.

Cyclicality in real estate sector in India

The real estate sector is marked by volatile prices and a highly fragmented market structure because of the presence of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the company's sales vulnerable to any downturn in demand.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Real Estate Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity - Adequate

The liquidity of the Company is adequate. As per FY23 provisional financials the Company has interest coverage of 11.97X. Also, the Company has a consolidated average cash flow cover of 1.11X and consolidated minimum cumulative cash flow cover of 1.00X for the projected period till FY26. The company has also been sanctioned with LRD loan of Rs 135 Cr which will provide the additional liquidity cushion.

About the Company

Incorporated in October 2005, Vajram Estates Private Limited (VEPL) was promoted by Mr. Pavan Vajram & Mr. Pradeep Vajram. The company is into the business of construction, development, sale, management and operation of residential and commercial apartments and related activities. Till now it has completed four projects and the Completed projects comprises of Vajram Essenza, Vajram Elina, Vajram Tiara and Vajram Orchid. The Ongoing Projects are Vajram Newton – Phase I & Phase II – Residential and Vajram Onyx – Commercial. Another 2 new projects are in approval phase i.e. Vajram HYDC CC- Commercial and Vajram 95 South- Residential.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	134.66	138.65
EBITDA	21.48	26.51



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PAT	13.72	18.89
Total Debt	41.14	110.57
Tangible Net Worth	229.62	267.53
EBITDA Margin (%)	15.95	19.12
PAT Margin (%)	10.08	13.48
Overall Gearing Ratio (x)	0.18	0.41

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Oct 06, 2022)	Date(s) & Rating(s) assigned in 2021-22 (July 07, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Facility – Term Loan	Long Term	252.00**	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable	-
2	Fund based Facility – GECL	Long Term	2.95	IVR BBB/ Stable	IVR BBB/ Stable	-	-
3	Fund based Facility – Term Loan	Long Term	- (Previously 40.00)	*	IVR BBB/ Stable	-	-
4	Fund based Facility – Term Loan	Long Term	- (Previously 30.00)	*	IVR BBB/ Stable	-	-
5	Fund based Facility – EGCL	Long Term	- (Previously 7.70)	-	Withdrawn	IVR BBB-/ Stable	-
6	Fund based Facility – Working Capital Term Loan	Long Term	- (Previously 14.60)	-	Withdrawn	IVR BBB-/ Stable	-

*Converted into LRD with top up loan of Rs.65.00 crore



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**Includes proposed term loan of Rs.70.00 crore & LRD of Rs.135.00 crore

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based Facility – Term Loan	-	-	March 2024	32.00	IVR BBB/ Stable
Long Term Fund based Facility – GECL	-	-	March 2024	2.95	IVR BBB/ Stable
Long Term Fund based Facility – Term Loan	-	-	2025	15.00	IVR BBB/ Stable
Long Term Fund based Facility – Term Loan (Proposed)	-	-	-	70.00	IVR BBB/ Stable
Long Term Fund based Facility – LRD	-	-	2036	135.00	IVR BBB/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Vajram-sep23.pdf>

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

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.