



## Press Release

**Velankani Information Systems Limited**

**May 22, 2021**

### **Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities (LRD)	296.41	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
	<b>Total</b>	<b>296.41</b>		

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The rating assigned to the bank facilities of Velankani Information Systems Limited comfort from its experienced directors, presence of Escrow mechanism with structured payment system, locational advantage of the property, long term lease agreement with reputed organizations and comfortable profitability margins. However, these rating strengths are partially offset by capital intensive nature of the industry and inherent renewal risk of lease agreements.

### **Key Rating Sensitivities:**

#### **Upward Factor:**

- ✓ Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action

#### **Downward factor:**

- ✓ Sharp fall in operating income and dip in profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.
- ✓ Subdued industry scenario
- ✓ Vacating by any company and/or external factor leading to decline in cash flows as projected will lead to a rating downgrade.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Extensive experience of the Directors**

Extensive experience of the promoters continues to support the business risk profile of the VISL as the promoters have over 28 years of experience in executing commercial project in the electronic city of Bengaluru, thus helping to forge healthy relationship with clients.

##### **Benefits associated with economies of location**

The property is spread across 21.59 acres and is situated in Electronic City, which is one of the biggest industrial park spread across 800 acres in Konappana Agrahara and Doddathogur villages in Bangalore. It has well developed infrastructure in terms of connectivity to other important localities of Bangalore city. Proximity of the hotel from important locations adds to the advantage as well. Bengaluru Airport is 51 kms from the hotel.

##### **Comfortable profitability Margins**

The company has a comfortable profitability margins with EBITDA Margin of 55.49% in FY20. PAT margin has also improved from 9.51% in FY19 to 14.95% in FY20. The increase in margins is due to constant decrease in the interest expense of the company.

##### **Escrow mechanism and structured payment**

The bank loan facility of HDFC Bank and Federal Bank has been structured in the form of a Lease Rental Discounting (LRD) facility. The terms of the LRD facility require that the lease rental receivables from the tenants be routed directly to an Escrow Account set up specifically for the repayment of the said LRD facility and are applied towards payment of the scheduled interest and principal repayments. The term loan facility from Aditya Birla Finance Ltd is structured in the form of an Escrow facility. The company also has DSRA account with 2 months instalments reserved in that. The terms of the term loan facility require that the lease rent receivables be routed directly to an Escrow Account and applied towards payment of



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scheduled interest and principal repayments of the term loan. The balance amount is to be transferred to the corporate account of Velankani Information Systems Limited.

### **Long Term Lease Agreement with Reputed Organization**

VISL has entered into a lease agreement to lease out office building situated at Electronic City, Bengaluru. The tenant profile also remains strong with marquee tenants such as DBOI Global Services Private Limited, Intertrustviteos Corporate and Fund Services Private Limited, Hewlett Packard Enterprises Ltd, Syngene International Limited, Emerson Automation Solutions Intelligent Platforms Private Limited, Velankani Software Private Limited, Bydesign India Private Limited, Euronet Services India Private Limited, Bharti Airtel Limited which reduces the counterparty default risks.

### **Key Rating Weaknesses**

#### **Exposure to group companies**

VISL has invested Rs. 441.20 crore (includes Rs. 44.74 crore of capital advance) as on Mar'20 as against Rs. 405.59 crore Mar'19 which was almost 2.65x its networth as on that date. VEPL has an automated facility to produce electronic devices and commenced operations from Mar 11, 2016. Later in Jul'19, company has also ventured into MSO (Multiple System Operator) business. Due to various reasons including change in regulatory environment led VEPL incurring continuous losses and therefore received additional support from VISL.

#### **Inherent renewal risk of lease agreements**

The lease rentals are generally signed for 5-10 years which is shorter than the loan tenure of 12-13 years which poses renewal risk of lease agreements. Further, any lessee can vacate the premises by serving notice period of 6-12 months. However, the rentals are in line with other tech parks of Electronic City which reduces the possibility of contract termination by clients.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Real Estate Companies



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Rating Methodology for Structure Debt Transaction (Non Securitisation Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity - Adequate**

The term loan facility is structured in the form of an Escrow facility. The company also has DSRA account with 2 months instalments reserved in that. The terms of the term loan facility require that the lease rent receivables be routed directly to an Escrow Account and applied towards payment of scheduled interest and principal repayments of the term loan. Overall liquidity position seems to be Adequate. Cash and cash equivalent was modest at Rs. 2.62 crore as on March 31, 2020.

### **About the Entity**

VISL specializes in creating turnkey solutions in the field of construction and contracting, infrastructure development, technology parks, and hospitality. VISL also owns and manages The Oterra, a five-star, full-service luxury deluxe hotel located strategically in the technology hub of the Bengaluru city. Additionally, the company owns and manages the Velankani Technology Park, aesthetically designed 21.59 acres campus located in Electronics City, Bengaluru offering infrastructure for the IT sector and comprising total leasable area of 7,86,640 sq.ft. housing over 8000 professionals. VISL has rented out the space in Technology Park to various companies.

### **Financials (Standalone):**

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	120.24	135.37
EBITDA	73.52	75.12
PAT	12.89	23.29
Total Debt	447.85	438.78
Tangible Net worth	143.10	166.70
EBITDA Margin (%)	61.15	55.49
PAT Margin (%)	9.51	14.95
Overall Gearing Ratio (x) on Book TNW	3.13	2.63

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: NA**



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**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (LRD)	Long Term	296.41	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	-	-	-

**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](http://www.infomerics.com).

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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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facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength 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 Bank Facilities – Term Loan (LRD)	-	-	-	296.41	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)

### Annexure 2: Facility wise lender details.

<https://www.infomerics.com/admin/prfiles/lender-Velankani-information-Systems-Limited-22-may-21-.pdf>