

Press Release

M/s Vijay Suraksha Realty L.L.P

September 04, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund Based Limits – Term Loan	490.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
2	Long Term Fund Based Limits – Overdraft	60.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
	Total	550.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from resourceful promoters, established record of operations, strategic tie-ups with developers and locational advantage. However, the rating is partially offset by risks related to timely execution of multiple projects and susceptibility to cyclicality inherent in the Real Estate sector. Timely execution of projects, sales of the units at envisaged rates and timely debt servicing are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

Resourceful Promoters with established track record:

The entity is promoted by ‘Vijay Group’ of Mr. Vrajlal Gala and ‘Suraksha Buildwell LLP’ which is part of the ‘Suraksha Group’ promoted by Mr. Sudhir Valia. Mr. Vrajlal Gala has been involved in the Real Estate business since 1980. Similarly, Mr. Sudhir Valia has been investing in Real Estate projects through ‘Suraksha Buildwell LLP’ and has considerable experience in Real Estate business. He is also a Non-Executive Director at Sun Pharmaceutical Industries Ltd.

Vijay Suraksha Realty LLP as a group has an established track record in the Thane Municipal Area. Since its inception in 2013, the entity has developed 3.21 lsf of area. The entity has executed three residential plus commercial projects and has been able to sell 85% of the total units.

Strategic Tie-ups with developers:

In order to expand its reach in the Real Estate industry, the entity has entered in to strategic tie-ups with leading developers. These known developers have extensive experience in the industry and have developed a strong brand names. As per the terms of the strategic tie-up, the developers would develop the project and a part of the revenue share would be paid to ‘Vijay Suraksha Realty LLP’ in its capacity as a land owner.

Favorable Location Advantage:

The projects under development are situated in and around Ghodbunder Road, Thane. Thane city has been one of the fastest growing areas in the Mumbai Metropolitan Region. There are Industrial belts, Commercial spaces where many SMEs and IT/ITeS companies have set-up offices. The appeal of this micro-market lies in the many hospitals and schools, attracting prospective home-buyers and good connectivity to almost every part of surrounding regions. With the ongoing metro work, the connectivity is expected to improve even further in the near future.

Key Rating Weakness

Exposure to Risks related to timely execution of multiple projects:

The entity is exposed to risks related to the execution and saleability of its large projects. Any slowdown in the real estate sector or high interest regime could affect the execution of the ongoing projects and consequently affect timely sales realisations.

Susceptibility to cyclicity inherent in the Real Estate sector:

The real estate sector in India is cyclical and is marked by volatile prices and a highly fragmented market structure. Also, the execution of the real estate projects is affected by multiple property laws. The risk is compounded by aggressive timelines for completion with shortage of man power (project engineers and skilled labour) in this sector. Also, continuous changes in fiscal and monetary measures by the government will cause a variation in interest

rates, impacting the demand for homes. The residential real estate sector has remained under pressure due to weak demand, bearish consumer sentiment over the past few years, and the recent liquidity crisis faced by non-banking financial companies/housing finance companies, resulting in increase in leverage and refinancing needs. Demonetisation and GST have further impacted demand.

Analytical Approach & Applicable Criteria

Standalone

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

Vijay Suraksha Realty LLP's liquidity remains adequate in the backdrop of extended period of moratorium from the banker (Yes Bank), leading to minimal repayments in the near future. The LLP maintained debt-equity levels of 1.93x as on March 31, 2019. The projected cash flows of the entity afford a minimum cumulative cash flow cover of 1.02x at the end of Q1FY20, which is expected to improve going forward. Hence, the liquidity profile of the LLP is expected to be adequate. The partner developers, are resourceful developers and have invested substantial funds in the projects being developed and are capable of infusing funds in case of need. Sales generated from these projects would augment the liquidity position of VSR LLP.

About the Company

Registered in 2013, Vijay Suraksha Realty LLP (VSR LLP) is involved in Real-Estate development. The entity is promoted by two groups, i.e. Vijay Group Realty LLP and Suraksha Buildwell LLP. Till date, VSR LLP has completed 3 residential projects, covering around 3.21 lac square feet of area.

Financials

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Operating Income	93.89	115.94
EBITDA	11.20	34.71

PAT	6.89	5.34
Total Debt [#]	447.79	567.09
Tangible Net worth ^{\$}	532.96	538.30
EBITDA Margin (%)	11.93	29.94
PAT Margin (%)	7.34	4.60
Overall Gearing Ratio [#] (x)	1.96	1.93

[#]Unsecured Loans of Rs.473.0 crore in FY19 (Rs.596.3 crore in FY18 and Rs.597.6 in FY17) from promoters have been excluded from the outstanding debt and neither have they been considered as part of the net worth

^{\$}the revaluation of land amounting to Rs.1290.57 crore has been adjusted from the net worth

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Term Loan	Long Term	490.00	IVR BBB-/ Stable outlook	--	--	--
2.	Long Term Fund Based Limits – Overdraft	Long Term	60.00	IVR BBB-/ 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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Parth Dattani

Tel: (022) 62396023

Email: pdattani@infomerics.com

Name: Mr. Sriram Rajagopalan

Tel: (022) 62396023

Email: srajagopalan@infomerics.com

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. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank 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 Fund Based Limits – Term Loan	--	--	Various	490.00	IVR BBB-/ Stable outlook
Long Term Fund Based Limits – Overdraft	--	--	--	60.00	IVR BBB-/ Stable outlook