

September 23, 2024^(Revised)

Vagishwari Land Developers Private Limited: Rating upgraded to [ICRA]A- (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund-based – Term loan	700.00	700.00	[ICRA]A- (Stable); Upgraded from [ICRA]BBB+ (Stable)
Long-term – Non-fund based limits**	(50.00)	(50.00)	[ICRA]A- (Stable); Upgraded from [ICRA]BBB+ (Stable)
Long-term – Non-fund based	1.15	1.15	[ICRA]A- (Stable); Upgraded from [ICRA]BBB+ (Stable)
Total	701.15	701.15	

*Instrument details are provided in Annexure-I; **sub-limit of term loan

Rationale

The rating upgrade for Vagishwari Land Developers Private Limited (VLDPL) factors in the healthy progress in leasing and receipt of occupancy certificate (OC) for the project in July 2024 against DCCO¹ of June 2025, leading to an improvement in cash flow visibility. The leasing improved to 47% as of August 2024 from 15-20% of pre-leasing as of November 2023 and the rentals are expected to start from Q1 FY2026 in a phased manner. With the current leasing level, the company is likely to refinance the construction finance (CF) loan with a lease rental discounting (LRD) loan over the next three-six months, thereby mitigating the refinancing risk. The leverage is estimated to remain moderate post refinancing of loan with debt/net operating income (NOI) of 6-6.5 times as of March 2026 and the debt coverage metrics are projected to remain comfortable with five-year average DSCR of 1.35 - 1.37 times (FY2026–FY2030). The rating considers the favourable project location at Central Business District, Bengaluru, which enhances the marketability of the project. The rating considers the strong sponsor profile, which is owned by GBTC II (Asset A) Pte Ltd, a real estate fund managed by Godrej Fund Management Pte. Ltd. and Godrej Projects Development Limited, a subsidiary of Godrej Properties Limited (rated [ICRA]AA+ (Stable)/[ICRA]A1+).

The rating, however, is constrained by VLDPL's exposure to residual market risk with 53% of the area yet to be leased as of August 2024. Nevertheless, the attractive location of the project mitigates the risk to some extent. The rating factors in the high geographical and asset concentration risks, which are inherent in single project special purpose vehicles (SPVs). The company remains exposed to the inherent cyclicity in the real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

The Stable outlook on the rating reflects ICRA's opinion that the company would be able to ramp up its leasing, supported by the attractive location of the asset leading to comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Healthy improvement in occupancy levels mitigating refinancing risk; comfortable debt coverage metrics – The leasing improved to 47% as of August 2024 from 15-20% of pre-leasing as of November 2023 and the rentals are expected to start from Q1 FY2026 in a phased manner. With the current leasing level, the company is likely to refinance the CF loan with LRD loan over the next three-six months, thereby mitigating the refinancing risk. The leverage is projected to remain moderate

¹ DCCO: Date of commencement of Commercial Operations

post refinancing of loan with debt/NOI of 6-6.5 times as of March 2026 and the debt coverage metrics are estimated to remain comfortable with five-year average DSCR of 1.35 - 1.37 times (FY2026–FY2030).

Attractive location of property – The project is located along Old Madras Road (NH-75) at approximately 5 km from the Central Business District, Bengaluru. The asset is favourably located near the city centre having good connectivity with other key city areas by virtue of the existing metro station. The attractive location makes the project well suited for the prospective corporate occupiers.

Strong shareholder profile with strong financial flexibility – VLDPL is owned by GBTC II (Asset A) Pte Ltd, a real estate fund managed by Godrej Fund Management Pte Ltd and Godrej Projects Development Limited, a subsidiary of Godrej Properties Limited. The Godrej Group operates in diverse sectors such as real estate, consumer products, industrial engineering, appliance, and furniture.

Credit challenges

Exposure to residual market risk – VLDPL's operations are exposed to residual market risk with 53% of the area yet to be leased as of August 2024. Nevertheless, the attractive location of the project, the limited supply of new competing projects in the micromarket mitigates the risk to some extent.

High geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks, which are inherent in single project SPVs.

Exposure to cyclicity in commercial real estate – The company remains exposed to the inherent cyclicity in the real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to changes in interest rates or material reduction in occupancy levels.

Liquidity position: Adequate

VLDPL's liquidity profile is adequate, given the expected stable generation of rental income from the leased area. The rentals are expected to start from Q1 FY2026 in a phased manner. Post refinancing of CF loan with LRD loan, the cash flow from operations is likely to remain adequate to meet its debt repayment obligations.

Rating sensitivities

Positive factors – Healthy ramp up in occupancy to 85 percent and improvement in leverage, while maintaining adequate debt coverage metrics could lead to an improvement in the rating.

Negative factors – Pressure on the rating could emerge in case of inadequate leasing progress or delays in commencement of rentals for the untied area and/or a significant increase in indebtedness, resulting in deterioration of debt protection metrics on a consistent basis. Specific credit metric that could lead to a rating downgrade is 5-year average DSCR of below 1.2 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty- Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

About the company

Incorporated in November 2015, Vagishwari Land Developers Private Limited was acquired by Godrej Projects Development Limited (wholly-owned subsidiary of Godrej Properties Ltd, GPL) and Godrej BTC II (Asset A) Pte Ltd. in June 2021 from Purvankara Limited.

The company owns a vacant land parcel of 4.5 acres located on Old Madras Road, Bengaluru, where it has constructed a commercial office. The asset comprises three basements + Ground floor+ 10 floors with a leasable area of 1.09 mn sq ft.

Key financial indicators (audited) – Not applicable as the rentals are yet to commence.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)			Chronology of rating history for the past 3 years							
		Amount Rated (Rs Crore)	Date	Rating	FY2024		FY2023		FY2022			
					Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-fund based limits	Long Term	(50.00)	23-Sep-2024	[ICRA]A-(Stable)	04-DEC-2023	[ICRA]BBB+(Stable)	14-NOV-2022	[ICRA]BBB (Stable)	18-OCT-2021	[ICRA]BBB (Stable)		
Non-fund based	Long Term	1.15	23-Sep-2024	[ICRA]A-(Stable)	04-DEC-2023	[ICRA]BBB+(Stable)	14-NOV-2022	[ICRA]BBB (Stable)	18-OCT-2021	[ICRA]BBB (Stable)		
Term loan	Long Term	700.00	23-Sep-2024	[ICRA]A-(Stable)	04-DEC-2023	[ICRA]BBB+(Stable)	14-NOV-2022	[ICRA]BBB (Stable)	18-OCT-2021	[ICRA]BBB (Stable)	06-OCT-21	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Non-fund based limits (sublimit of Term loan)	Very Simple
Long-term – Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2022	-	FY2026	700.00	[ICRA]A- (Stable)
NA	Non-fund based– Interchangeable	FY2022	-	FY2026	(50.00)	[ICRA]A- (Stable)
NA	Non-fund based	FY2022	-	FY2026	1.15	[ICRA]A- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis- Not applicable

Corrigendum

Rationale dated September 23, 2024, has been revised with addition of rating for Non-fund based limits against 14-Nov-22 in the rating history table on Page No. 4.

ANALYST CONTACTS

Rajeshwar Burla

+91 40 6939 6443

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 6939 6427

anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Hemanth Vasishta Attaluri

+91 40 6939 6419

vasishta.attaluri@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

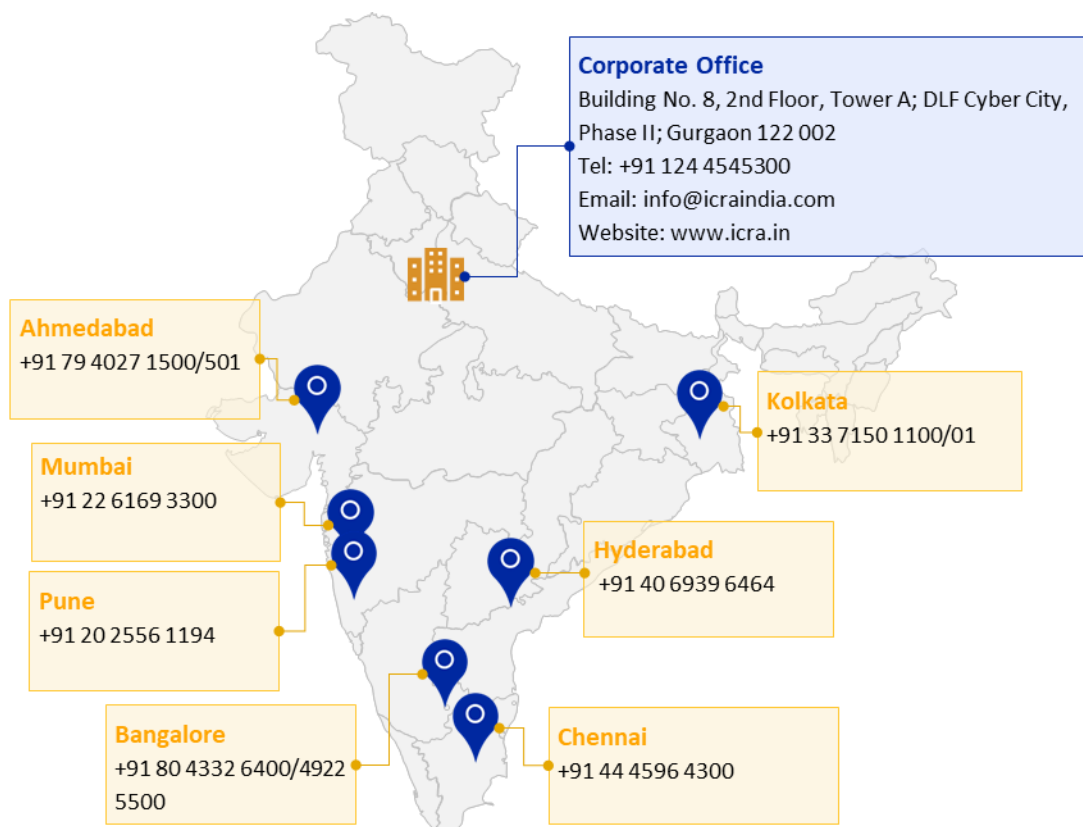


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.