October 14, 2024

Ajay Enterprises Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	180.0	95.0	[ICRA] BBB+ (Stable); Ratings reaffirmed
Long-term – Fund-based – Cash credit	15.0	0.0	-
Short-term – Non-fund based	10.0	10.0	[ICRA] A3+; Ratings reaffirmed
Long-term – Fund-based – WCTL	9.5	8.0	[ICRA] BBB+ (Stable); Ratings reaffirmed
Total	**214.5**	**113.0**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Ajay Enterprises Private Limited (AEPL) factors in the expected growth in sales and collections for its residential projects in FY2025, healthy occupancy of its commercial asset, Vishal Cinemas and comfortable leverage as of March 2025. The company's sales are estimated to grow by about 45%-50% in FY2025 (PY: Rs. 95 crore) and its collections are projected to grow by about 9%-11% in FY2025 (PY: Rs. 172 crore), supported by good sales velocity in its ongoing projects and healthy end-user demand. This along with low external debt levels, which are estimated to be at Rs. 80-85 crore as of March 2025 (PY: Rs. 100 crore), and adequate cash flow from operations are expected to result in a comfortable leverage with total external debt/CFO at 1.0-1.3 times as of March 2025 (PY: 1.1 times). AEPL's cash flow adequacy ratio[1] remained healthy at 85% as of July 2024, backed by committed receivables of Rs. 140 crore against low pending cost of Rs. 128 crore and total external outstanding debt on the ongoing residential projects of Rs. 38 crore. AEPL's commercial asset Vishal Cinemas started operations in March 2023 and is fully occupied as on date and the rentals are anticipated to be around Rs. 19 crore in FY2025. The ratings factor in the long and established track record in real estate development with demonstrated project execution capabilities, the strength derived by the company being a part of Eros Group and the extensive experience of its promoters in the real estate industry in National Capital Region (NCR). The rating notes the demonstrated track record of financial support from the promoters through infusion of unsecured loans and fully paid-up unencumbered land bank in the Delhi NCR region.

The rating is, however, constrained by the company's modest scale of operations, along with its exposure to the execution risk associated with the ongoing as well as upcoming projects, with ~24% of the total cost is yet to be incurred in its ongoing projects as of July 2024. Further, AEPL has a considerable unsold inventory in its completed projects worth 4.4 lsf exposing the company to marketing risk for the unsold inventory. Moreover, being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which exposes its sales to any downturn in demand and competition within the region from various other developers.

The Stable outlook on AEPL's rating reflects ICRA's expectation that the company will benefit from the adequate collections from its ongoing projects as well as new launches, while maintaining low debt levels and comfortable leverage.

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[1]*Cashflow adequacy ratio = Total Committed receivables/ (Total External debt Outstanding on ongoing residential projects + Total pending cost)*

Key rating drivers and their description

Credit strengths

Estimated increase in collections in FY2025; comfortable leverage expected as of March 2025 – The company's sales are estimated to grow by about 45%-50% in FY2025 (PY: Rs. 95 crore) and collections are projected to grow by about 9%-11% in FY2025 (PY: Rs 172 crore), supported by good sales velocity in its ongoing projects and healthy end-user demand. This along with low external debt levels, which are estimated to be at Rs. 80-85 crore as of March 2025 (PY: Rs. 100 crore), and adequate cash flow from operations are expected to result in comfortable leverage with total external debt/CFO at 1.0-1.3 times as of March 2025 (PY: 1.1 times).

Healthy cash flow adequacy ratio – AEPL's cash flow adequacy ratio is healthy at 85% as of July 2024, backed by committed receivables of Rs. 140 crore against low pending cost of Rs. 128 crore and total external outstanding debt on the ongoing residential projects of Rs. 38 crore. Further, its commercial asset Vishal Cinemas started operations in March 2023, which is fully occupied as on date and the rentals are estimated to be around Rs. 19 crore in FY2025.

Extensive experience and demonstrated track record of support from promoters – AEPL derives strength as a part of the Eros Group. It has a long and established track record in real estate development with demonstrated project execution capabilities. The rating notes the strength derived by the company being a part of Eros Group and the extensive experience of its promoters in the real estate industry in National Capital Region (NCR). Further, the promoters have demonstrated track record of financial support through infusion of unsecured loans.

Credit challenges

Modest scale of operations – The company's scale of operations remains modest based on their ongoing residential projects. Its profitability remains low, given the increase in the project cost, thus leading to lower profitability in the projects. In FY2024, it registered profit before tax of Rs. 8.8 crore compared to loss before tax of Rs. 20.5 crore in FY2023.

Marketing risks for unsold inventory and exposure to execution risks for ongoing projects – The company is exposed to the execution risk associated with the ongoing as well as upcoming projects, with ~24% of the total cost is yet to be incurred in its ongoing projects as of July 2024. Further, AEPL has a considerable unsold inventory in its completed projects amounting to 4.4 lsf exposing the company to marketing risk for the unsold inventory.

Exposure to cyclicality in real estate business – The residential real estate sector, being cyclical in nature is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand and competition within the region from various other developers.

Liquidity position: Adequate

The company's liquidity position is expected to remain adequate, supported by undrawn bank limits aggregating to around Rs. 39 crore (including Rs. 9 crore of overdraft limit) as of July 2024. Further, it has debt obligations of Rs. 53.2 crore in FY2025 and Rs. 14.0 crore in FY2026, which are likely to be adequately met through the cash flow from operations.

Rating sensitivities

Positive factors – Significant and sustainable increase in the scale of operations and profitability while maintaining comfortable leverage metrics would result in a rating upgrade.

Negative factors – Negative pressure on the ratings could arise in case of pressure on bookings and collections or decline in rentals from Vishal Cinemas or significant increase in indebtedness resulting in moderation in AEPL's leverage and coverage indicators.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Realty – Commercial/Retail/Residential](#) [Realty – Lease Rental Discounting (LRD)](#)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Ajay Enterprises Private Limited (AEPL) is a part of the Delhi-based Eros Group promoted by Mr. Ajay Sood and Mr. Raman Sood. The Group's other key entities include Hotel Excelsior Limited [rated [ICRA]A+ (Stable)] and Nehru Place Hotels and Real Estate Private Ltd. [rated [ICRA]A+(Stable)]. AEPL is a real estate development company with presence in commercial and residential real estate. The company has already developed more than 30 lsf of area and is currently developing around 11 lsf of residential projects in Greater Noida and Faridabad region. The company has re-developed Vishal Cinemas, which has a leasable area of around ~71,000 sq ft.

Key financial indicators (audited)

AEPL (Standalone)	FY2023	FY2024
Operating income	183.0	237.4
PAT	-19.8	9.5
OPBDIT/OI	-6.2%	10.6%
PAT/OI	-10.8%	4.0%
Total outside liabilities/Tangible net worth (times)	2.7	2.7
Total debt/OPBDIT (times)	-18.7	8.0
Interest coverage (times)	-1.0	1.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years							
			FY2025		FY2024		FY2023		FY2022			
Instrument	**Type**	**Amount Rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based - Term loan	Long Term	95.0	October 14, 2024	[ICRA] BBB+ (Stable)	November 03, 2023	[ICRA] BBB+ (Stable)	October 21, 2022	[ICRA] BBB+ (Stable)	Nov 22, 2021	[ICRA] BBB+ (Stable)	Sept 24, 2021	[ICRA] BBB+ (Stable)
Fund-based – Cash credit	Long Term	0.0	-	-	November 03, 2023	[ICRA] BBB+ (Stable)	October 21, 2022	[ICRA] BBB+ (Stable)	Nov 22, 2021	[ICRA] BBB+ (Stable)	Sept 24, 2021	[ICRA] BBB+ (Stable)
Non-fund based limits	Short Term	10.0	October 14, 2024	[ICRA] A3+	November 03, 2023	[ICRA] A3+	October 21, 2022	[ICRA] A3+	Nov 22, 2021	[ICRA] A3+	Sept 24, 2021	[ICRA] A3+

Unallocated	Long Term	-	-	-	-	-	-	-	-	-	Sept 24, 2021	[ICRA] BBB+ (Stable)
Fund-based – WCTL	Long Term	8.0	October 14, 2024	[ICRA] BBB+ (Stable)	November 03, 2023	[ICRA] BBB+ (Stable)	October 21, 2022	[ICRA] BBB+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
Non-fund based limits	Very Simple
Fund-based – WCTL	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**	March 2023	9.25%	Mar 2038	95.0	[ICRA]BBB+ (Stable)
NA	**WCTL**	November 2021	9.25%	Dec 2026	8.0	[ICRA]BBB+ (Stable)
NA	**LC/BG**	NA	NA	NA	10.0	[ICRA] A3+

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

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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.

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