

May 09, 2017

Vajram Holdings Private Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long Term- Proposed Term Loan	20.0	[ICRA]BB- (Stable); Assigned

**Instrument details are provided in Annexure-1*

Rating action

ICRA has assigned a long-term rating of [ICRA]BB- (pronounced ICRA double B minus) ¹ to the Rs. 20.0-crore² proposed term-loan facility of Vajram Holdings Private Limited (VHPL). The outlook on the long-term rating is 'Stable'.

Rationale

While arriving at the ratings, ICRA has considered the consolidated financial and operational profile of Vajram Holdings Private Limited and Vajram Estates Private Limited (VEPL). The combined entity is collectively referred to as Vajram Group.

The rating factors in the long experience of the promoters of VHPL in the real-estate industry and the favourable location of the ongoing project, Vajram Esteva. It is located in Marathahalli, Outer Ring Road, Bangalore, close to international schools, social clubs, shopping malls and multi-specialty hospitals. The rating also positively factors in the presence of in-house execution team which results in better control over cost and quality. ICRA also notes that all requisite approvals for Vajram Esteva project are in place but the debt funding is yet to be tied-up. The rating is, however, constrained on account of the intermediate stage of development (~36% of total project cost has been incurred till March, 2017) of the ongoing project, which exposes the company to high execution risk. Further, the rating is also constrained by the significant market risk associated with the project given the moderate level of bookings and collection efficiency till March, 2017. ICRA also takes note of the vulnerability of sales to any further downturn in the real estate demand and the competition within the region from various established real-estate developers.

Going forward, the ability of the company to achieve the proposed debt tie-up for the Vajram Esteva Project, its ability to achieve healthy sales, to collect customer advances for the ongoing project and to timely complete the construction and lease out the commercial complex of the project, will be the key rating sensitivities.

Key rating drivers

Credit strengths

- Long experience of the promoters of VHPL in the real-estate industry
- Favourable location of the ongoing project, Vajram Esteva, close to developed social infrastructure including international schools, social clubs, shopping malls and multi-specialty hospitals
- Presence of in-house execution team results in better control over cost and quality
- All requisite approvals for Vajram Esteva project are in place but the debt funding is yet to be tied up

Credit weaknesses

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

- Intermediate stage of development (~36% of the total project cost has been incurred till March, 2017) of the ongoing project, which exposes the company to high execution risk
- Significant market risk associated with the project given the moderate level of bookings and collection efficiency till March, 2017
- Vulnerability of sales to any further downturn in the real-estate demand and competition within the region from various established real-estate developers

Description of key rating drivers:

VHPL is a part of the Vajram Group, one of the real-estate developers in Bangalore, with a track record of about 16 years of property development. The group has an established position in the residential segment of the Bangalore real-estate market. It has developed about 1 million sq. ft. of built-up area. The company takes up most of its projects in Joint Development Agreement (JDA) with the landowner wherein the land is held by the owner and the company completes the construction activity, which reduces the upfront capital investment. The company has one ongoing project – Vajram Esteva, which has 32% commercial space and 68% residential space. This project was commenced in 2015, which is a joint venture with the land owners at Marathalli, Outer Ring Road. The project is an ultra-luxurious condominium in a Ground +12 floors apartment building. The project consists of commercial space accommodations in the ground, first and second floors with a total of 116,582 sq. Ft. built-up area. Third to 12th floor of the building consists of 106 units of flats. Out of the 106 flats, 58 belong to Vajram's share apart from the commercial space. The total project cost is Rs. 77.47 crore. All requisite approvals for Vajram Esteva project are in place but the debt funding is yet to be tied up. Till March 2017, the company has incurred Rs. 28.06 crore of cost and 36% project construction was done. The company has booked 14 flats (24% of total flats of residential complex) till March, 2017 and the project is scheduled to be completed by the end of July 2020. The cost and sales progress of the ongoing project is slow which results in exposure to significant market risk and high execution risk. The total balance cost to be incurred on the going project is ~Rs. 49.41 crore, which is 64% of the total cost and hence the company is exposed to significant execution risk.

Analytical approach: While arriving at the ratings, ICRA has considered the consolidated financial and operational profile of Vajram Holdings Private Limited and Vajram Estates Private Limited. The combined entity is collectively referred to as Vajram Group.

Links to applicable criteria

Corporate Credit Ratings: A Note on Methodology

ICRA Rating Methodology: Real Estate Entities

About the company:

Vajram Holdings Private Ltd. (VHPL), a part of Vajram Group, was incorporated in 2014 by Mr. Pavan Kumar Vajram and Mr. Pradeep Kumar Vajram. Both the promoters have more than a decade of experience in product design, civil construction, project development and operations. Vajram Group is engaged in businesses of hospitality, technology, pharmaceuticals, aromatics, construction and development of real-estate properties and civil-construction business. The group's civil contracting division, Lidco Projects (India) Pvt. Ltd. does the civil construction of Vajram Group projects. Till date, the group has completed ~ 1 million sq.ft. of development in real-estate space.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years:
Table:

S. No.	Name of Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Date & Rating	Month - year & Rating		
1	Term Loan (Proposed)	Long term	20.0	May 2017	FY2017	FY2016	FY2015
				[ICRA]BB-(Stable)	NA	NA	NA

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Name of the instrument	Date of Issuance / Sanction	Coupon rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Fund based – Term Loan (Proposed)	-	-	-	20.0	[ICRA]BB- (Stable)

Source: Vajram Holdings Private Ltd

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