



RATING RATIONALE

22 Nov 2021

Hinduja Realty Ventures Ltd.

Brickwork Ratings restores the rating of the cash credit facility of Rs.50 Cr and assigns rating to the Short term loan of Hinduja Realty Ventures Ltd. (HRVL or “the Company”)

Particulars:

Facility To be Rated	Amt rated (Rs. Cr)		Tenure	Previous Rating*	Present Rating*
	Previous	Present		(September 9, 2021)	
Overdraft	50	50	Long Term	BWR BB+ (Stable) ISSUER NOT COOPERATING**	BWR BBB (Stable)
Short term Loan		240	Short Term		BWR A2+ (CE)***
Total	50	290	(Rupees Two Hundred and Ninety Crores)		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

**Issuer did not cooperate; Based on best available information

***CE is based on the Corporate Guarantee of Hinduja Group Ltd. (HGL - BWR AA- (Stable).

RATING ACTION / OUTLOOK: BWR restored the rating of BWR BBB (Stable) for the Overdraft facility of Rs.50 Cr and assigned the rating of BWR A2+ (CE) for the short term loan of Rs.240 Cr. CE is based on the unconditional and irrevocable Corporate Guarantee for the Short term loan from Hinduja Group Ltd. (HGL – BWR AA- (Stable).

The rating has factored, inter alia, strength it derives from being a Hinduja Group Company and ability of the Promoters to infuse funds when required, visibility of cash flows approximately Rs.200 Cr From the sale of land jointly owned by HRVL with GOCL, investment of HRVL into the listed equity shares of group company which can be liquidated to service the debt and locational advantages of the project in the city of Bengaluru and Corporate Guarantee provided by the parent company – Hinduja Group Ltd. (HGL – BWR AA- (Stable).

The rating is, however, constrained by lower than expected progress in finalizing the lessees after achievement of COD in March 2019, competition from other real estate players in the city, who are also developing quality space for the IT industry in the vicinity, is also a factor.

BWR believes HRVL’s business risk profile will be maintained over the medium term. The Stable outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:-

- **Corporate Guarantee of HGL for the short term loan of Rs.240 Cr:** HGL (BWR AA-(Stable) has provided unconditional and irrevocable Corporate Guarantee for the terms loans of Rs.240 Cr of HRVL.
- **Hinduja Group Support:** HRVL is the real estate arm of Hinduja group, a global conglomerate and has presence in various industries including Automotive, Banking & Finance, IT/ ITES and Energy & Chemicals among others. The group provides timely managerial and financial support to all its operating companies.
- **Experienced and Qualified management:** Mr. Jeet P Chugani is the managing director of Hinduja Group Limited, and Mr. Ashok P Hinduja is a director on the board. Besides them, the board has four directors who are also present on the boards of other group companies. The company has a team of well-qualified and experienced professionals.
- **Visibility of Cash flows:** HRVL through its subsidiary – Hinduja Estates Pvt. Ltd. owns Joint development rights in 76 acre land at Kutapally, Hyderabad along with Group Company – GOCL Corp Ltd. On August 27, 2021, HRVL and GOCL entered into an agreement with Squarespace Infracity Pvt. Ltd. for sale of 44.25 acres of this land for the consideration of Rs.451.79 Cr. 10% of the consideration was received at the time of execution of agreement. The transaction is expected to be completed before March 2022. Out of Rs.451.79 Cr, HRVL is expected to receive approximately Rs.200 Cr through its subsidiary – Hinduja Estate Pvt. Ltd. of which Rs.20 Cr is already received. The Company received cash flows of Rs.45 Cr from GOCL Corp Ltd. from sale of shares of ADPL Estates Ltd. by HRVL to GOCL Corp. ADPL Estates which was previously a subsidiary of HRVL will now become a subsidiary of GOCL Corp Ltd. GOCL Corp Ltd. is the Hinduja Group Company, formerly known as Gulf Oil Corporation Ltd. It is a multi-division, multi-location Company, with businesses in energetics, commercial explosives and realty. The company has been listed in BSE since 1963 and in NSE since 2007.
- **Low Project Execution risk:** The group has a well established track record of completing/delivering projects in a timely manner. Block 3 has been successfully completed and obtained occupancy certificate, Multi Level Car Parking is also completed and as per the latest LIE report of February 2019, Block 2 is in advanced stage of completion.

Credit Risks:-

- **Non-availability of operating cash flows with no progress in sales and lessees in the project:** The company was not able to sign any fresh lease agreement since the time of last rating. As per the LIE report by Muzoomdar Associates Pvt. Ltd. as on February 28, 2019, the company had signed lease agreement with the client – AXA Business Services Pvt. Ltd. in June 2018 and billing for the same commenced from December 2018. The Company is in discussion with few IT companies to lease 7.5 lakh sq.ft. entirely (Block 3) which is expected to complete in 6-7 months.
- **Marketability Risk:** They have engaged reputed agencies to market the project and have started receiving Request For Proposals; however concrete proposals are yet to materialise. Bangalore North area has some quality IT space, and hence, the lessees have choice.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has assigned the rating of the short term loan of HRVL based on the Corporate Guarantee provided by Hinduja Group Ltd and hence supported rating is assigned.

BWR has analysed the overdraft facility of HRVL on a standalone basis considering it as a part of Hinduja Group and as such unsupported rating has been assigned.

The link of the applicable rating criteria are given at the end of the rating rationale.

Operating performance of the Corporate Guarantee Provider will be the key rating sensitivity.

RATING SENSITIVITIES:

Credit Positive: Conclusion of lease transactions at attractive lease rentals assuring cash flows for serving of debt will be credit positive.

Credit Negative: Any further deterioration in liquidity profile of the company with downward revision in share price of the listed entities of the group in which HRVL has invested will be credit negative.

LIQUIDITY POSITION (ADEQUATE):

On standalone basis as on Sep 30, 2021, HRVL had cash and cash equivalent of Rs.3.31 CR and investments in quoted listed equity shares of Group Company – IndusInd Bank Ltd. of Rs. 114.48 Cr (account at fair value (12,00,000 equity shares of Rs.10 each). Currently (as on Oct 11, 2021) shares of IndusInd Bank are trading at Rs. 1172.05 with a 52 weeks high of Rs.1194.45 and low of Rs.571.



COMPANY PROFILE

COMPANY PROFILE - HRVL

Hinduja Realty Ventures Ltd. (HRVL) is the flagship real estate company of Hinduja Group wherein Group's real estate development activities are aggregated. HRVL was incorporated in 1968 and is based in Mumbai. Hinduja Group Ltd. (HGL) is the holding company of HRVL and HGL is wholly owned by Hinduja Family. HRVL also has many subsidiaries, Associates, Partnership firms, through which it has undertaken various real estate projects, investments and holds various land properties belonging to Hinduja Group in India.

HRVL is currently developing a project by name "Ecopolis" in Bangalore, an IT/ITeS Park along with Commercial office space and ancillary Retail & Hospitality facilities on 39.68 acres owned by group company GOCL Corporation Ltd. (Hebbal - Bangalore Airport Road). The land is located at Yelahanka, in north Bengaluru abutting Bellary Road and is approximately 14 kms from the new Bengaluru international airport.

COMPANY PROFILE – Hinduja Group Ltd. (HGL):

Hinduja Group is a diversified conglomerate established in 1914 by Late Mr. Parmanand Deepchand Hinduja. Hinduja Group has footprints in 37 countries. In India, the Group has presence in various economic sectors viz. Automotive, Oil & Lubricants, Power, Finance, Information Technology & Business Process Outsourcing, Media, Foundry, Real Estate, Hospitals & Healthcare etc. Hinduja Group Limited is the holding company of the group in India. Hinduja Realty Ventures Limited, Hinduja Global Solutions Limited, Hinduja Healthcare and a number of partnership firms are part of HGL.

For further details on Hinduja Group Ltd., kindly refer [to rating rationale dated December 30, 2020](#).

KEY FINANCIAL INDICATORS (in ₹ Cr)

Rs. Crore	FY20	FY21
	Audited	Audited
Total Operating Income	48.0	30.5
Operating Profit	35.61	17.6
Net Profit	-110.6	79.4
Total Debt	1207.5	991.0
Tangible Net Worth	785	917.4
Gearing (x)	0.5	1.0
Current Ratio (x)	0.2	0.2

Operating Income of HRVL comprises rental payment received from existing lessee. Other non-operating income comprises share of profit from partnership firms in which HRVL is partner as mentioned above. Net profit for FY21 was driven by profitability of partnership firms.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY

RATING HISTORY INCLUDING WITHDRAWN / SUSPENDED RATINGS

Instrument / Facilities	Current Rating (2021)					Rating History		
	Tenure (Long Term/ Short Term)	Ant (₹ Cr)	Current Rating	September 2021	March 2021	December 2020	April 2019	January 2018
Bank Term Loan	Long Term	-		-	Withdrawn	A (CE) (Stable)	A (Stable)	A (Stable)
Overdraft	Long Term	50	BWR BBB (Stable)	BWR BB+ (Stable) ISSUER NOT COOPERATING *	BWR BBB- (Stable) ISSUER NOT COOPERATING **	BWR BBB (Stable)	BWR A (Stable)	BWR A (Stable)
Short Term Loan	Short term	240	BWR A2+ (CE)	-				
Total		290		INR Two Hundred and Ninety Crore Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Ratings Based on Group Support](#)
- [Credit Enhancement based on Corporate Guarantee](#)
- [Short term debt](#)
- [Commercial Real Estate Rating Methodology](#)

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[Hinduja Realty Ventures Ltd.]

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Bank of Baroda	Overdraft	50.00	-	50.00
2.	Bank of Baroda	Short Term Loan	-	240.00	240.00
TOTAL					290.00

Total Rupees Two Hundred and Ninety Crore only.

For print and digital media

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