

RATING RATIONALE

28 Oct 2020

Indrajit Properties Pvt Ltd

Brickwork Ratings reaffirms the ratings for Bank Loan Facilities of ₹ 20.00 Crores and removes it from Issuer Not Cooperating Category of Indrajit Properties Pvt Ltd
Particulars

| Facility** | Amount (₹ Cr) | | Tenure | Rating* | |
|--------------|---------------|--------------|-------------------------------|--|-----------------------------------|
| | Previous | Present | | Previous (September, 2020) | Present |
| Fund based | 20.00 | 20.00 | Long Term | BWR BB+; Issuer Not Cooperating, Based on the best information available Stable | BWR BB+ Stable [Reaffirmation] |
| Total | 20.00 | 20.00 | INR Twenty Crores Only | | |

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION : Long Term Ratings reaffirmed at BWR BB+ and removed from Issuer Not Cooperating
RATING OUTLOOK : Stable

The long term rating of Indrajit Properties Pvt Ltd (IPPL or the entity) was placed under Issuer Not Cooperating(INC) category owing to the non-receipt of necessary information/data to enable BWR to carry out a surveillance/review. The long term rating is now removed from INC category and reaffirmed based on the review carried out by BWR.

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of Indrajit Properties Pvt Ltd(IPPL or the entity) up to FY20, publicly available information, and information/clarifications provided by the company's management and its bankers to arrive at the present ratings

BWR believes that the business risk profile of **Indrajit Properties Pvt Ltd** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

The rating continues to draw strength from the longstanding experience of the promoters in leasing and investment property management business, strategic location of the asset, adequacy of the rental cash inflows to meet the debt obligation repayment and moderate capital structure.

The ratings are however constrained by the various risk factors such as possible early termination of lease before expiry of the lease period and loan tenure, non-renewal of lease contract, vacancy risk during the loan tenure or counterparty credit risk of the tenants. The rating further takes into account low scale of operations



KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters:** The company is managed by two directors Mr Nandakumar Patkar having an experience of more than two decades in the leasing industry & Mr Jayant Shinde having an experience of twelve years in the industry. They are supported by a team of highly qualified individuals
- **Locational Advantage:** The location of the property is a critical parameter for attracting tenants and for achieving healthy occupancy levels. The location of the commercial property “Qube” at Andheri East presents a strategic location advantage on account of its proximity to the airport and key business districts.
- **Moderate Business Risk:** The company has a moderate risk model as the rental cash inflows are sufficient to meet the debt repayment. Further, lease rent is received in advance at the start of the month & lease contracts also contain rent escalation clauses to cover inflationary price increases.
- **Moderate Financial Risk Profile:** The company has a low gearing of 0.15X in FY20. The debt protection metrics as indicated by the ISCR & DSCR stand at 1.18X & 1.58X in FY20 respectively. The current ratio has improved in FY20 to 2.28X from 1.19X in FY19 indicating a moderate financial risk profile.

Credit Risks:

- **Inherent risk as associated with Lease Rentals:** The company faces the inherent possibility of termination or non-renewal of lease contracts on or before expiry of the lease period may pose risk of decline in cash inflow
- **Low Scale Of Operations:** The company has a low scale of operations marked by Revenue generated from leasing of few units of single commercial property which stood at ₹10.41crs in FY20. However the revenue is stable in nature on account of contractual fixed cash flows arising from lease rental receipts.
- **Mismatch between the Lease Rental Contracts & the Tenure of Loan Availed:** The company faces the risk of lease expiry in the near future or before the expiry of the loan tenure which increases the vacancy risk thereby resulting in likelihood of cash flow mismatch for timely debt servicing.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the Company’s ability to increase its revenue by entering into new lease contracts, renewal of existing contracts on their expiration, achieve the projections, better cash flow management for ensuring timely servicing of interest/debt obligations, as well as further strengthening of overall financial risk profile shall be the key rating sensitivities

Positive: The outlook may be revised to Positive if the company records significantly better-than-expected new tenants which shall lead to a growth in revenues along with improvement in profitability levels and efficient working capital management, resulting in better debt coverage metrics and liquidity profile

Negative: The outlook may be revised to Negative if there is a decrease in number of tenants or termination of rental contracts before the completion of the tenure

LIQUIDITY POSITION: ADEQUATE

Liquidity profile of the company is adequate as reflected from the moderate risk profile. The coverage ratios as reflected by ISCR & DSCR stand at 1.18X & 1.58X in FY20. The net cash accruals of the company stand at Rs 5.04cr in FY20 with cash and cash equivalents of Rs 0.68cr in FY20 with a debt repayment obligation of Rs 1.45cr indicating the ability of the company to service its debt obligation. The company has reported an above average current ratio at 2.28X in FY20. Relief measures, such as moratorium as notified by the Reserve Bank of India(RBI) on 27 March 2020, was availed by the company for its bank loan facilities. However, the same expired on 1st September 2020 & the company has started servicing its debt obligations since September 2020

COMPANY PROFILE

Indrajit Properties Private Limited (IPPL) was incorporated on 21st March, 2011 and is engaged in Leasing activity. The Company currently owns 79,738 sqft of commercial property “The Qube” which is located at Andheri East. The company has currently leased out 72,620 sqft of office space to different corporate clients. The asking market rent is ranging from 100/sqft to 125/sqft. per month.

KEY FINANCIAL INDICATORS (in INR Crs)

| Key Parameters | Units | FY 20 | FY 19 |
|------------------------|-------|---------|---------|
| Result Type | | Audited | Audited |
| Total Operating Income | ₹ Cr | 10.41 | 23.97 |
| OPBDIT | ₹ Cr | 5.11 | (21.58) |
| PAT | ₹ Cr | 2.71 | (22.24) |
| Tangible Net Worth | ₹ Cr | 248.97 | 246.22 |
| Total Debt/TNW | Times | 0.15 | 0.15 |
| Current Ratio | Times | 2.28 | 1.19 |

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

| Instrument | Current Rating | | | Rating History | | |
|-------------------|--------------------------------|---------------|---------------------------------------|---|-----------------------|------|
| | Tenure (Long Term/ Short Term) | Amount (₹ Cr) | Rating | 21st, September, 2020 | 1st, July, 2019# | 2018 |
| Fund Based | Long Term | 20.00 | BWR BB+ Stable [Reaffirmation] | BWR BB+; Issuer Not Cooperating Stable | BWR BB+ Stable | - |
| Total | | 20.00 | INR Twenty Crores Only | | | |

#Company transferred to Ratings Not Reviewed on 2nd July 2020

COMPLEXITY LEVELS OF THE INSTRUMENTS



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

Hyperlink/Reference to applicable Criteria

- [Manufacturing Companies](#)
- [Approach To Financial Ratios](#)
- [Infrastructure Sector](#)

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Indrajit Properties Pvt 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 | Mortgage Loan | 20.00 | - | 20.00 |
| TOTAL | | | | | 20.00 |

Total Rupees Twenty Crores Only.



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About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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