



09 Mar 2020

Rating Rationale

Values Spaces Realtors Pvt. Ltd. (Demerged from JKS Infrastructure Pvt. Ltd.)

Brickwork Ratings downgrades the Rating for Bank Facilities of Rs.70.46 Crs of Values Spaces Realtors Pvt. Ltd. ('VSRPL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Dec 2017)	Present (Mar 2020)
Fund based Term Loan	82.00	70.46**	Long Term	BWR BBB-/Stable	BWR BB+/Stable Downgraded
Total	82.00	70.46	INR Seventy Crores and Forty Six Lakhs Only		

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

Annexure I shows the detailed facilities

**Includes present outstanding of Rs.65.31 Crs and balance disbursement of Rs.5.15 Crs

RATING ACTION/OUTLOOK

Brickwork rating downgrades the ratings to BWR BB+/Stable due to steep decline in projected debt coverage indicators caused by demerger from JKS Infrastructure Pvt. Ltd. The rating continues to draw strength from the promoter's experience in the industry, favorable location and comfortable gearing levels. However, the rating remains constrained by below average debt coverage indicators, concentrated tenant profile and competition from several other players in the Gurugram region.



KEY RATING DRIVERS

Credit strengths:

- **Experienced promoters**

The promoters of VSRPL have more than two decades of experience in logistic industry and are operating other two group companies i.e. CCI Logistics Pvt. Ltd. and Avvashya CCI Logistics Pvt. Ltd. which are engaged in logistic business.

- **Favorable location and comfortable gearing level**

The warehouse is developed in the Golden Quadrilateral highway of Gurugram, where two ICDs have been operating within 40-50 km from the warehouse. This region is known for the presence of automobile and IT companies. This has helped the Company to let out 7 out of its 8 warehouses and LOI has been signed for the 8th warehouse, which is expected to be let out by end of March 2020. The Gearing level of VSRPL is comfortable at 0.89x as on March 31, 2019 as the Company had healthy TNW of Rs.70.14 Crs infused for the Gurugram warehouse construction.

Credit Weaknesses:

- **Below average debt coverage indicators**

Due to demerger, the cash flow from rent receipts available for debt repayment of VSRPL has reduced compared to rent receipts considered during initial rating . Owing to this, average DSCR for next 5 years has decreased to 1.19x as against expected average DSCR of 3.90x prior to demerger. with DSCR of 1.19x any loss of a tenant could result in cash flow shortfall for debt repayments.

- **Concentrated tenant profile and intense competition in several other players in Gurugram region**

For VSRPL, nearly 70% of rent receipts are expected to be received from its Top 3 tenants. A loss of any of these tenants could impact the debt repayment capacity of the Company. Further, VSRPL faces stiff competition from several other players in the Gurugram region, which limits its bargaining power with tenants for quoting higher rent prices.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY19, publicly available information and information/clarifications provided by the management.

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 ability of the Company to improve its debt coverage indicators and timely collection of rent would be the key rating sensitivities.

Positive: Improvement in debt coverage indicators would be positive for the rating.



Negative: Decrease in number of tenants or rent would be negative for the rating.

LIQUIDITY POSITION: Adequate

The liquidity position of the Company is adequate, as it is expected to generate cash flow of around Rs.20.00 crores as against annual debt repayment of Rs.16.92 Crs.

COMPANY PROFILE

Values Spaces Realtors Pvt. Ltd. (VSRPL) is a Mumbai company demerged from JKS Infrastructure Pvt. Ltd. (JKSIPL) which provides warehousing facilities on lease basis. Mr Satish Kumar Sharma and Mr Naresh Kumar Sharma are the promoter directors of the company.

In January 2018, JKSIPL had availed a Term loan for construction of 8 warehouses at Pathreri, Gurugram, Haryana with Total project cost of Rs.168.00 Crs. However, in November 2018, two companies were demerged from JKSIPL namely Values Spaces Realtors Pvt. Ltd. and Value Spaces Logistics and Industrial Park Polivakkam Pvt. Ltd. (VSLIPL) and shareholders of JKSIPL have been issued shares of both the Companies in the ratio of 1:1. Prior to demerger, JKSIPL had fixed assets at Gurugram, Panvel and Chennai. Post demerger, the assets and liabilities of Panvel property are retained in JKSIPL while those of Gurugram property are transferred to VSRPL and those of Chennai property are transferred to VSLIPL.

VSRPL has completed its Gurugram warehouses construction in December 2019 and only admin building construction is pending. The Company has constructed a total 8 warehouses with area of 8.78 lakh sq.ft., as against earlier planned 7 warehouses with 7.40 lakh sq.ft. Out of Rs.80.00 Crs of Term loan, disbursement of Rs.74.85 crs has been availed till February 2020 and balance disbursement is planned to be availed by the end of March 2020.

The Company has rented out 7 warehouses and LOI is signed with a client for letting out 8th warehouse by the end of March 2020.



KEY FINANCIAL INDICATORS

		31.3.2019 Audited
Total Operating Income	(Rs. Cr)	2.84
EBITDA	(Rs. Cr)	1.62
PAT	(Rs. Cr)	0.81
Tangible Networth	(Rs. Cr)	70.14
Total Debt:TNW	(Times)	0.89
Current Ratio	(Times)	0.92

*Financials are for the period from October 17, 2018 to March 31, 2019 as the demerger was carried out on 1 Nov 2019 and later approved by NCLT in June 2019.

KEY COVENANTS OF INSTRUMENTS/FACILITIES TO BE RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Mar 2020)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Dec 2017	-	-
1	Fund based Term Loan	Long Term	70.46	BWR BB+/Stable Downgraded	BWR BBB-/Stable Assigned	-	-
			70.46	INR Seventy Crores and Forty Six Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

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



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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Annexure I

Details of Rated Bank Facilities

Bank	Name of Facility	Nature of Facility	Rated Amount (Rs.in Cr.)
Kotak Mahindra Bank Ltd.	Term Loan	Fund Based-Long Term	70.46
		Total	70.46

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