

Rating Rationale

Venkat Estates Pvt. Ltd.

19 Feb 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 11.22 Cr of Venkat Estates Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Term Loan [Project loan under Commercial Real Estate]	9.90	Long Term	BWR D (Pronounced BWR Single D)
Term Loans under Oriental mortgage Loan Scheme	1.32		
Total	11.22	(Rupees Eleven Crores and Twenty Two Lakhs Only)	

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

Note: The aforementioned facilities are with Oriental Bank of Commerce.

Rating under Credit Watch with Positive / Negative / Developing implications - NA

Rationale/Description of Key Rating Drivers:

BWR has essentially relied upon the audited financial results of FY15, FY16, FY17 of Venkat Estates Pvt. Ltd. ('VEPL' or 'the Company'), publicly available information and information/clarifications as shared by the Company's management and the Bank. The rating has necessarily factored in the Bankers feedback on the delays in repayment. The rating is further constrained by stretched liquidity position of the Company, implementation risk associated with ongoing project and intense level of competition in the real estate industry.

Description of Key Rating Drivers

• Credit Strengths:

- Promoters/ Developers' experience in the real estate industry
- Increase in share capital to the tune of Rs.3.00 Cr (FY17) by way of infusion of funds amounting to Rs.1.59 Cr

• Credit Risks:

- Delays in meeting the debt obligation
- Inadequate cash accruals to meet the ensuing repayment obligation
- Sensitivities related to timely completion of project and generation of revenues
- Intense competition in the real estate industry and complying to regulatory approvals

Analytical Approach

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 Outlook: NA

About the Company

Venkat Estates Pvt Ltd, established in June 2008, is a real estate developer based in Bengaluru. The Company since inception has completed one residential project - Wings Royal, located at Yelahanka and is currently constructing its second residential project - Windsor East, located at K R Puram. The Directors of the Company are Mr. Venkat Sogasani Reddy, Mrs. Dugasani Praveena Devi and Mr. Vishnu Sogasani Reddy. Mr. Venkat S Reddy is a finance professional with experience of over two decades in the real estate industry.

Project Status

The project 'Windsor East', located at Kithaganur Road, K R Puram, Bangalore is a 176 units residential project. The G+4 structure comprises of 2 bedroom hall kitchen (BHK), 2 BHK+Study and 3 BHK flats with sizes ranging from 1103 square feet to 1655 square feet. Total land area for the project is admeasuring around 2 acres. The project is Joint Development Agreement between the landowners Mr. Govinda Reddy & Mrs. M Yashodamma and the Developers - Venkat Estates Pvt Ltd in proportion of 40:60. The total cost of the project has been estimated at Rs. 30.00 Cr. The project comprises of 4 Blocks - A, B, C and D. The project is being executed block wise. The construction is in progress upto third floor with respect to two Blocks and upto 1st Floor in respect of the remaining two Blocks. The project is expected to be completed by 2019 March.

Company Financial Performance

As per audited financials FY17, the Company has reported a net receipt of Rs. 1.98 Cr (Rs. 2.49 Cr in FY16). The revenue recognition is based on the percentage of completion method. The networth of the Company has increased from Rs. 1.46 Cr in FY16 to Rs. 3.57 Cr in FY17 due to retention of profits and infusion of capital amounting Rs. 1.59 Cr.

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	Term Loan [Project loan under Commercial Real Estate]	Long Term	9.90	BWR D	NIL		
2	Term Loans under Oriental mortgage Loan Scheme		1.32				
4	Total		11.22				

Status of non-cooperation with previous CRA (if applicable)-Reason and comments - NA

Any other information - NA

Key Financial Indicators

	FY17	FY16
Total Operating Income (Rs. Cr)	1.98	2.49
EBIDTA (Rs. Cr)	1.65	0.97
PAT (Rs. Cr)	0.44	0.38
Depreciation (Rs Cr)	0.15	0.17
Tangible Networth (Rs. Cr)	3.57	1.46
Total Debt : Tangible Networth (Times)	2.86	5.89
Current Ratio (Times)	1.83	1.38

Hyperlink/Reference to Applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Services Sector](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.



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