Press Release

Vatika Limited

March 23, 2022

Ratings

Instrument / Facility*	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Bank Guarantee	164.57	IVR B+/ Stable (IVR B Plus; with Stable Outlook)	Assigned	Simple
Total	**164.57**	**Rupees One Hundred Sixty Four Crore and Fifty Seven Lakh Only**		

***Details of Facilities are in Annexure 1**

Detailed Rationale

Informerics Valuation and Ratings Private Limited (IVR) has assigned long-term rating of IVR B+ with a Stable outlook for the bank loan facilities of Vatika Limited (VL).

The rating draws comfort from the established track record of operations and experienced management and favourable location of the projects. However, these strengths are partially offset by moderate financial risk profile, risk emanating from exposure to group and related entities, inherent risk of the industry along with intense competition, geographic and project concentration risk.

The outlook is 'Stable' on account of sales of residential and commercial units expected to follow the projected trajectory. The market sentiments and economic conditions have started improving post second wave of covid-19, which provides revenue visibility in the medium term.

IVR has principally relied on the standalone audited financial results of VL upto 31 March 2021, 10MFY22 results and projected financials for FY22. FY23 and FY24, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the sales and collections in the ongoing projects
- Timely servicing of debt obligations
- Sustenance of the gearing below 3.00x

Downward Factors

- Significant cost overrun and delay in completion of projects,

- Deterioration in debt protection metrics and overall gearing
- Slowdown in salability of the ongoing projects resulting in collections lower than expected

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
  The company commenced its operations in July 1998 and has a successful track record of more than two decades in the existing line of business. The company is promoted by Bhalla family. Overall activities of Vatika Limited are managed by five directors with Mr. Anil Bhalla being the Chairman of the company. He has experience of more than 40 years in the real estate business. He is ably supported by his sons Mr. Gautam Bhalla and Mr. Gaurav Bhalla alongwith other directors who have effective experience in real estate business as well as supported by qualified and well experienced management team. The company has completed four commercial projects and eight residential projects with total saleable area of 1400 acre in Gurgaon (Haryana), Jaipur (Rajasthan) & Ambala (Haryana) areas. The company has a surplus land bank of 95 acres having market value of Rs. 812 core as on January,31 2022.

- **Favorable location:**
  The company projects are strategically located in Gurgaon and Jaipur. The strategic location of the project and the group's reputation provides comfort for the execution and marketability of the project.

- **Project updates:**
  Vatika is currently executing eleven projects including eight residential projects (saleable area of 675.75 acre) and three commercial projects (saleable area of 16.48 acre). The residential projects are in Gurgaon and Jaipur, while the commercial projects are in Gurgaon. The company had incurred approximately 67% of the aggregate project cost till January 31, 2022. On the sales front, Vatika has sold about 69% of the total saleable area till January 31, 2022. The sales consideration from all the ongoing projects is Rs. 12,646.39 crore against which it has received Rs. 3,110.23 crore as customer advances translating into 24.59% of sales consideration. The unsold inventory of all provides revenue visibility in the medium term.

Key Rating Weaknesses

- **Moderate financial risk profile:**
  The financial risk profile is characterized by the presence of high debt with overall gearing stood at 5.81x in FY2021 as compared to 6.72x in FY2020. The total operating

income (TOI) declined by ~3.13% to Rs. 506.11 crore in FY2021 from Rs. 522.48 crore in FY2020. In 10MFY22 company achieved TOI of Rs. 562.07 crore.

- **Risk emanating from exposure to group and related entities:**
  Vatika Limited has invested in various subsidiaries and group companies that are primarily land-holding companies. Apart from investments in subsidiaries of about Rs. 385.33 crore as on March 31, 2021 (Rs. 385.97 crore as on March 31, 2020), Vatika has provided loans and advances to these companies aggregating more than Rs. 3,674.53 crore.

- **Geographic and project concentration risk:**
  The company is exposed to geographic concentration as most of their projects are in Gurgaon, Haryana real estate market. Any adverse movement in the Haryana real estate market may adversely impact the sales and collections of the company.

- **Delays in servicing of debt obligations:**
  Auditor in its report of FY2021 has reported the instances of delays in debt servicing by the company. The delays have been on few long-term facilities (not rated by us). However as per the recent feedbacks from various bankers/NBFC the client is timely servicing its debts for past 5-6 months.

- **Inherent risk of the industry along with intense competition:**
  The company is exposed to the cyclicality inherent in an intensely competitive real estate sector, which could result in fluctuations in cash inflows because of volatility in saleability. Further, the real estate industry as a whole is experiencing a short-term slowdown with decline in new launches and expected price rationalization on account of recent policy measures such as real estate regulation act (RERA). There is intense competition from the regional players.

Analytical Approach: For arriving at the ratings, IVR has analysed VL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

Rating Methodology for Real Estate Entities
Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity of the company is adequate which is supported by steady collections from ongoing and completed projects. The total collections in 10MFY22 (Provisional) are Rs. 643.00 crore against principal repayment obligations of Rs. 387.20 crore. The company has received around Rs. 3,110.23 crore from the customers for the booked inventory as on 31st January 2022 which has a sale value of Rs. 12,649.39 crore, however the future sales realizations and advances are expected to support the liquidity.

About the Company

Vatika Limited (VL) was incorporated in July 1998 under the leadership of Mr. Anil Bhalla (Chairman) who has more than four decades of experience in real estate sector. The company is closely held by Bhalla family. It is engaged in real estate development (residential and commercial) in the National Capital Region (NCR), Jaipur (Rajasthan) & Ambala (Haryana). In the past, Vatika group has completed four commercial projects and eight residential projects with total saleable area of 1400 acre in Gurgaon (Haryana), Jaipur (Rajasthan) & Ambala (Haryana) areas. Currently in total around 11 projects are ongoing in residential and commercial segments with total saleable area of 692.23 acre. Out of which 10 projects are in Gurgaon and one in Jaipur.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	522.48	506.11
EBITDA	3.61	114.53
PAT	-278.37	5.38
Total Debt	2259.52	1986.36
Tangible Networth	336.38	342.03
EBITDA Margin (%)	0.69	22.63
PAT Margin (%)	-48.38	1.01
Overall Gearing Ratio (x)	6.72	5.81

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Non-Fund Based	Long Term	164.57	IVR B+/Stable (Assigned)	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Guarantee	-	-	-	164.57	IVR B+/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Vatika-lenders-mar22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at Complexity Level of Rated Instruments/Facilities.