

Urban Infrastructure Venture Capital Limited

April 05, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Short-term Bank Facilities	10	CARE A2 [A Two]	Revised from 'CARE A2+' [A Two Plus]
Total Facilities	10 (Rs. Ten crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Urban Infrastructure Venture Capital Limited (UIVCL) take into account declining profitability of the company on account of lower income from advisory fees as well as investments vis-à-vis fixed nature of operating expenses resulting in moderation in the liquidity profile.

The rating continues to factor in parentage, experienced management team and low gearing levels. The rating continues to be constrained by UIVCL's weak financial risk profile due to non-receipt of payments from large credit exposures and moderation in the liquidity profile. UIVCL's ability to recover payments from its credit exposures, liquidity and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Parentage of UIVCL

UIVCL is a wholly-owned subsidiary of Jai Corp Ltd. (JCL). Jai Corp Ltd. is a company listed on BSE and NSE and is present in varied sectors such as steel, infrastructure (ports), plastic processing, textiles, real estate development, SEZ and asset management and venture capital. During FY18 (refers to period from April 01 to March 31), JCL recorded net loss of Rs.1.12 crore on total revenue of Rs.623 crore on a consolidated basis, as against net loss of Rs.18 crore in FY17 on a total income of Rs.770 crore.

Experienced management team

UIVCL has an experienced management team. Its senior management is drawn from JCL and is led by Mr. Anand Jain (Chairman) and Mr. Parag Parekh (Managing Director & Chief Executive Officer (MD & CEO)). Prior to UIVCL, Mr. Parekh has over 25 years of experience in the financial services and real estate sectors and was head of the real estate division of Reliance Group before taking over as MD & CEO of UIVCL.

Low gearing levels

The company had nil gearing as on March 31, 2018. The company has a revolving short term loan facility as a liquidity back up which remained unutilized in 9MFY19 (refers to the period April 01 to December 31). It had net worth of Rs.192.51 crore as on March 31, 2018.

Key Rating Weaknesses

Weak financial risk profile due to non-receipt of payments from large credit exposure

UIVCL had exposures by way of investments and Inter Corporate Deposits (ICDs) to certain entities out of which UIVCL did not receive payment from its two large credit exposures. During FY17, UIVCL received Rs.59.44 crore as principal repayment from one of its exposures. The accrued interest from the same exposure is still under litigation. Total outstanding amount against the two large credit exposures stood at Rs.90.03 crore till March 31, 2018 (Principal: Rs.54 crore, Accrued interest: Rs.36.03 crore). Total outstanding amount against these exposures including accrued interest constitute around 47% of tangible net-worth as on March 31, 2018. Recovery from these exposures would be a key for credit profile of UIVCL.

Declining profitability

UIVCL had two major sources of income i.e. Investment management fee from its domestic fund – Urban Infrastructure Opportunities Fund (UIOF) and advisory fees from its offshore fund – Urban Infrastructure Real Estate Fund (UIREF). From June 2014, UIVCL decided to forego the investment management fee received from UIOF fund. From FY16, the major source of income is advisory fees from UIREF. Since UIREF is in the process of liquidation, UIVCL's income from advisory fee fell by 27% in FY18. The company's other income fell by 30% as well, leading to a decline in total income of 28%. Other income largely consists of interest income and unrealized gain on investments.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY18, the company's advisory fee income (which formed around 55% - 57% of total income) declined to Rs.8.68 crore as compared to Rs.11.85 crore during FY17 while income from investments declined to Rs.6.42 crore during FY18 as compared to Rs.9.22 crore during FY17. Although, the company's operating cost declined by 10%, it reported net loss of Rs.1.63 crore during FY18 as compared to Profit After Tax (PAT) of Rs.2.29 crore in FY17.

Liquidity profile

The company had no outstanding debt as the short term bank facility of Rs.10 crore remained unutilized. However, with the company reporting loss during FY18 the company's operating cash flows may see decline. As on March 31, 2019, the company had investment in liquid mutual funds of Rs.22.39 crore, investment in Commercial Paper of Rs.30 and equity investments of around Rs.10 crore, which the company may utilise for its liquidity requirement.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Criteria for Non Banking Financial Companies](#)

[Financial ratios – Financial Sector](#)

About the Company

UIVCL, a wholly-owned subsidiary of Jai Corp Ltd., is a Venture Capital Asset Management Company which was incorporated in December, 2005. Incorporated in 1985, Jai Corp is engaged in manufacturing businesses like steel, yarn, plastic processing and also focusing and investing in emerging opportunities like developing SEZs, infrastructure, venture capital and real estate.

UIVCL is the Investment Manager of UIOF which is a domestic venture capital fund having interests in the Indian real estate sector. UIVCL is also Indian advisor to UIREF which is a Mauritius-based offshore fund, focused on the Indian real estate. In addition to managing and advising venture capital funds which provide fee-based income, UIVCL also invests in debentures and provides term loans (Inter Corporate Deposits [ICDs]) to real estate projects. These projects are generally expected to belong to the builder groups associated with the real estate projects invested and financed by UIREF & UIOF. Mr. Anand Jain (chairman of Jai Corp Ltd.) is the Founder Chairman and Executive Director and is supported by Mr. Parag Parekh, CEO & MD.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total Income (net of Service Tax recovered)	21.06	15.11
PAT	2.29	-1.63
Interest coverage (times)	19.56	NM
Total Tangible Assets	194.90	196.13
ROTA (%)	1.17	(0.83)

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Term loan	-	-	-	10.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - ST-Term loan	ST	10.00	CARE A2	1) CARE A2+ (05-Apr-18)	1) CARE A2+ (10-May-17)	1) CARE A2+ (19-Apr-16)	-

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