

Akshay Vanijya & Finance Private Limited

September 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	54.52	CARE BB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Akshay Vanijya & Finance Private Limited (AVFPL) factors in the risk of non-renewal of lease after expiry of the lock-in period indicating a lack of stickiness coupled with tenant concentration risk of the tenants occupying large space. It also factors in the longer duration of the loan than the lease duration of the reputed tenants.

However, the rating benefits from the experienced promoters, long-term lease agreements with reputable lessees, an escrow arrangement for debt repayment, and the maintenance of a Debt Service Reserve Account (DSRA) equivalent to ensuing six months principal and interest repayment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely receipt of rentals and ability to manage renewal on expiry of lock -in period in the lease agreements
- Improvement in total debt/ profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) below 6x

Negative factors

- Delay in execution or sales collections beyond 15 days, impacting the liquidity profile
- Non-renewal of expiring lease contracts leading to decline in the occupancy levels below 85%

Analytical approach:

Standalone

Outlook: Stable

Stable outlook reflects the ability of the company to maintain its healthy occupancy level with reputed tenants over the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Renewability and rollover risk as loan duration longer than total lease duration

The lease agreements entered into with majority of the tenants occupying large area would fall for renewal in FY28 and FY30 while the loan tenor ends in FY36 and thereby emanating rollover risk. Post the lease period, the tenant has an option to terminate the lease without any charges. Therefore, continuation of lease after expiry of minimum lease period is a key risk as the renewability depends on various factors including alternate choices available to tenants, prevailing rental rates and maintenance of the commercial property. It may be noted that historically there have been less renewals of the tenants occupying large spaces.

Tenant concentration risk and lease renewal challenges

Historically, tenants occupying large spaces have not renewed their leases, indicating a lack of stickiness. However, due to its prime location, AVFPL has consistently attracted new tenants, maintaining an almost full occupancy rate over the past few years. Further, the company remains exposed to tenant concentration risk as the top 3 tenants (Vivo, Niva Bupa and Huey Tech Pvt Ltd) occupy around 60% of the total leased space and contribute around 55% of total net rentals as of June 30, 2024. The ability of the company to reduce its client concentration and diversify its tenant profile shall remain crucial from a credit perspective.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Vulnerability of the cash flows to fluctuation in rentals and rise in interest rates

The company's cash flow stability is subject to two key external factors: occupancy rates and interest rates. The current occupancy is 100%, translating into stable revenue visibility till June 2024 cash flows. However, any decrease due to competition, tenant relocation, or economic downturns would directly impact cash flow. Similarly, the company's debt carries inherent interest rate risk. Rising rates would increase future EMI payments, potentially straining cash flow and affecting the debt service coverage ratio (DSCR). To mitigate these risks, maintaining high occupancy rates with favourable lease terms and long-term lock in periods is crucial.

Inherent risk associated with cyclical real estate industry

The company is exposed to the cyclical nature associated with the real estate sector, which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. Rental collection remains susceptible to economic downturns, which may constrain the tenant's business risk profile, and therefore, limit occupancy and rental rates. Also, the emergence of competing facilities in the vicinity could cannibalise tenants or rental rates. While majority of tenants in AVFPL may continue to occupy the property, any industry shock leading to vacancies may make it difficult to find alternate lessees within the stipulated time. This could adversely impact cash flow, and hence, will be monitorable.

Key strengths**Experienced promoters**

The company was promoted by Mr. S Gopi Krishna and Mr. Anjan Das and have experience of around 16 years in the leasing business in association with this company. All the promoters collectively look after the overall operations of the company.

Long-term lease tie-ups with reputed lessee

AVFPL has a reputed tenant profile which includes reputed corporates like NIVA Bupa Health Insurance Company Limited (CARE AA; Stable), VIVO Mobile India Pvt. Ltd. AVFPL has signed lease agreements for 100% of the total land area. The lease tenure extends up to FY30 with a lock-in period of 3 years and escalation in rent at 5% year on year for its reputed lessees. All tenants are currently under lock-in period, providing comfort on revenue visibility. However, tenant profile is concentrated towards some of the reputed tenants such as NIVA Bupa Health Insurance Company Limited, Vivo Mobile India Pvt Ltd, Indus Tower Ltd, Jeeva Organic Pvt Ltd among others.

Escrow arrangement for debt repayment along with maintenance of DSRA for 6 months

The company has taken an LRD loan of Rs. 55 crore from Bank of Maharashtra, which will be repaid in 144 structured monthly instalments ending March 2036. Further, in line with the sanctioned terms and conditions of the lender, there is an escrow account arrangement where proceeds from AVFPL gets deposited and the amount credited first utilized towards taxes and statutory payments followed by the payment of debt servicing obligations of LRD loan and then general operational expenses. The remaining amount may be utilized by the company. Moreover, as per the terms of sanction, the company is required to maintain Debt Service Reserve Account (DSRA) equivalent to ensuing six months principal and interest repayment starting Apr'24.

Liquidity: Adequate

The company is expecting lease rentals (net TDS) of ~8.75 crores for FY25 against repayment obligation (Principal+ Interest) of Rs.7.36 crores. The company additionally maintains DSRA of 6 months and apart from this the liquidity is also supported by unencumbered free cash and cash equivalents which stood Rs. 8.71 cr as on March 31, 2024. However, loan tenor being longer than lease period of the tenants remains the key rating concern.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Debt backed by lease rentals](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Real Estate related services

Akshay Vanijya & Finance Private Limited (AVFPL), incorporated in 1994, is involved in real estate activities. The company is managed by Mr. S Gopi Krishna and Mr. Anjan Das, who have approximately 16 years of experience in the leasing business with this company. AVFPL operates Logix Infotech Park, a commercial office space with G+3 floors and multiple offices. This Grade A IT/ITeS building, located in Sector-59, Noida, offers a leasable area of 1.69 lakh square feet. Logix Infotech Park has been operational since 2008 and currently boasts 100% occupancy.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	Q1FY25 (P)
Total operating income	12.19	13.31	NA
PBILDT	5.12	7.14	NA
PAT	1.86	1.89	NA
Overall gearing (times)	0.74	0.84	NA
Interest coverage (times)	2.13	1.63	NA

A: Audited; P: Provisional; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial		-	-	March 2036	54.52	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	54.52	CARE BB+; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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