

Vijay Raja Homes Private Limited

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	117.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to the Bank facilities of Vijay Raja Homes Private Limited are constrained by limited number of ongoing projects, confined to a single micro market, weak capital structure, and significant reliance on customer advances for project funding, inherently cyclical nature of the real estate industry. However, the rating derive strength from the experience of the promoters with a proven track records in the sector and progress in existing projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained average collections above ₹100 crores per annum.
- Improvement in overall gearing below 2x.

Negative factors

- Any large delays in the scheduled completion and slowdown in the sales momentum of the on-going projects.
- Moderation in collections/ delay in realization of customer advances on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the operations of the company will continue to remain stable in the medium-term deriving benefit from the long-standing experience of the promoters in the real estate industry.

Detailed description of key rating drivers:

Key weaknesses

Limited number of ongoing projects, confined to a single micro market

The company's operations are predominantly based in Chennai, which exposes it to significant risks associated with the region's real estate market. Currently, VRH has only three ongoing projects with a combined saleable area of 7.23 lakh square feet. Of these, the VRX 360 project (Blocks C and D) at Thirumazhisai makes up 65% of the total saleable area and 59% of the unsold area as of September 30, 2024. VRH also has two planned projects—VRX 360 Blocks A and B—adjacent to the ongoing developments in Thirumazhisai, adding an estimated saleable area of 6.67 lakh square feet. Consequently, future cash flows are highly dependent on the success of the ongoing and upcoming projects in a single location. Any decline in sales momentum for the project in this location could significantly impact cash flow and operations of the company. Furthermore, there are no upcoming projects planned in other locations in the immediate future.

Exposure to inherent risks and cyclical in the real estate industry and geographic concentration risk

The real estate market is inherently cyclical, leading to fluctuations in sales and realizations, which can result in volatile cash inflows. Meanwhile, outflows, such as construction cost and debt repayments, remain relatively fixed. A downturn in demand could further reduce collections and cash flow, exacerbating financial pressures.

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

Weak Capital Structure

Overall gearing of the company was high at 4.23x as on 31 March 2024 (P.Y. 3.26x). As on 31 March 2024, company has non-interest bearing subordinated unsecured loan from directors worth ₹12.69 crores, which form part of quasi equity. With incremental infusion from promoters, overall gearing has improved to 2.79x as of September 30, 2024. The company plans to avail a project loan of around ₹60 crores for two upcoming projects in the near future which would again weaken the capital structure in the near term.

Key Strength

Experienced Promoter

VRH is promoted by Chendilnathan, who brings over 4 decades of experience in construction, flat promotion, and civil material supplies. Chendilnathan started his career journey in 1983 and established 'RAJA AGENCY', which is into Production and Supply of Medical and Industrial Gas with a focus to venture into multiple segments of businesses. About three decades ago the promoter ventured into real estate and has completed 27 residential projects covering around saleable of 6 million sq.ft.

Satisfactory sales velocity

VRH is currently executing three projects in Chennai, covering a total saleable area of 7.23 Lsft. Of the total saleable area, 71% has already been sold, and 55% of saleable area registered as of September 30, 2024. The company is largely dependent on customer advances to fund project cost and its timely receipt will be crucial for project progress. The timely launch and healthy sales velocity from the upcoming projects shall remain a key rating monitorable.

Liquidity: Stretched

The company's liquidity profile is stretched, with committed receivables of ~₹106.09 crore, which fall short of covering entire pending construction costs in ongoing projects and outstanding debt obligations of ₹59 crores as of September 30, 2024. Any setbacks in ongoing or upcoming projects could severely impact the company's liquidity, as cash flow depends solely on a single area project. The company had limited unencumbered cash and bank balance, which stood at ₹1.48 crore as of March 31, 2024.

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 Real estate sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in March 2012, Vijay Raja Homes Private Limited (VRH) is engaged in the development of residential real estate projects primarily in Chennai, Tamil Nadu. VRH is promoted by Chendilnathan, who brings over four decades of experience in construction, flat promotion, and civil material supplies. Promoter has successfully completed 27 residential projects covering 6 million square feet majorly across Chennai.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	78.27	55.94	34.68
PBILDT	6.99	9.48	6.27
PAT	0.43	0.29	0.45
Overall gearing (times)	3.26	4.23	2.79
Interest coverage (times)	1.22	1.11	1.37

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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-Long Term		-	-	-	117.00	CARE BB-; Stable

Annexure-2: Rating history for 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-Long Term	LT	117.00	CARE BB-; Stable				

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple

Annexure-5: Lender details

To 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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About us:

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