

## Vipul Limited

November 29, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	425.12 (reduced from 432.00)	<b>CARE BB; Stable</b> <b>[Double B; Outlook:</b> <b>Stable]</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	18.00	<b>CARE A4</b> <b>[A Four]</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>443.12</b> <b>(Rs. Four hundred and forty three</b> <b>crore and twelve lakhs only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Vipul Limited continue to be constrained due to the execution risk of the project, leveraged capital structure, slowdown in the collection status and subdued industry scenario. However, the ratings continue to derive strength from the experience of the promoters.

Going forward, timely execution and sale of the project along with realization of customer advances shall remain the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Project execution risk

The company is developing 10 projects with total project cost of Rs. 2499 cr and has incurred Rs. 2035 cr on the same as on Aug 31, 2017. Out of the 10 projects, Aarohan Residences is one of the major projects with total project cost of Rs. 586 cr and the company has incurred Rs. 199 cr on the development of the project as on Aug 31, 2017. Therefore, considering the project is at a nascent stage of execution with ~34% of the total project cost incurred and only Rs. 71 cr of construction cost has been incurred of the total construction cost of Rs. 283 cr i.e. 25% of the total construction cost, there exists a very high execution risk and completion of the project within the estimated timelines remains a key rating sensitivity.

##### Leveraged capital structure

As on March 31, 2017, the company's debt obligations have increased to Rs. 432.73 cr from Rs. 295.21 cr as on March 31, 2016. The incremental amount has been utilized in the construction of Aarohan Residences and meeting other debt repayment obligations. Further, in H1FY18, owing to the slow collection status, the company has raised NCDs of Rs. 150 cr with Rs. 51 cr disbursed till Oct, 2017, and the rest Rs. 24 cr in Nov, 2017, for Aarohan Residences, thereby, further deteriorating the debt coverage indicators.

Moreover, the liquidity position remains stretched as the average working capital utilisation for the last 12 months ended Oct, 17, stands at 99.11%.

##### Slowdown in collection status and over dependence on one project

Out of the total 10 ongoing projects, the company has sold 65.06 lsf of area out of the total saleable area of 74.70 lsf till Aug 31, 2017. However, in FY17 the sales progress has been slow with only 3.41 lsf of area being sold as compared to 3.93 lsf of area being sold during FY16. Further, till Aug 31, 2017, the company has sold ~1.76 lsf of area in total.

Moreover, owing to the slowdown in the real estate industry, the sales momentum remained slow leading to slow collections. The company has total customer collections of Rs. 28.05 cr during 5MFY18 as compared to Rs. 132.75 cr in FY17.

Therefore, going forward it is important for the company to continue the sales momentum in its Aarohan project and improve the collection status for other projects.

##### Subdued demand scenario in real estate industry

The real estate sector is moving towards a more rational regime where developers, having learnt from their mistakes, now focus on project execution and delivery. 2017 is expected to gradually move towards better home sales and see a

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

spurt in launches in some locations. With the introduction of the RERA Act, the sector will move ahead to transparent and credible measures with sustenance for organized players. Moreover, the expected renewed interest by the banks in funding the developers is likely to result in the timely completion of the projects. As per market sentiments the India Real Estate Market may not witness a sharp reversal in FY18 but its long term the growth prospects remain strong as the sector continues to remain troubled with issues of high unsold inventory, delayed delivery of projects and financial stress on developers.

### Key Rating Strengths

#### Experienced management with established track record in NCR

Vipul Ltd is involved in real estate development with a strong presence in North India. The company focuses on real estate development – Residential, Commercial and Integrated Townships etc. The company has developed and delivered 8.62 Isf of area (till Aug, 2017). The main promoter of the company is Mr Punit Beriwal, who is also the managing director. He has about 30 years of experience in the real estate industry. The company is currently engaged in construction of 10 projects.

#### Analytical approach:

Standalone

#### Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

#### About the Company

Vipul Limited was incorporated in 1991 as Analysis Finance & Investment Ltd. the name of the company was changed to Analysis Finance Limited on Dec 29, 1994. The company was later amalgamated with Vipul Infrastructure Developers Pvt Ltd in 2003 and the latter company's name was retained. In 2006, the name of the company was rechristened to 'Vipul Ltd' (VL). VL is involved in real estate development with a strong presence in North India. The company focuses on real estate development – Residential, Commercial, Integrated Townships, Retail and Hotels. The company has completed 15 projects till now with a total area of 8.62 Isf.

Brief Financials (Rs. crore)		FY15 (A)	FY16 (A)	FY17 (A)
Total operating income		235.13	189.47	231.56
PBILD		30.06	60.38	77.62
PAT		-6.58	1.15	2.43
Overall gearing (times)		0.56	0.72	1.05
Interest coverage (times)		0.79	1.03	1.10

\*A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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#### Annexure-1: Details of 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 - LT-Term Loan	-	-	-	330.00	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	30.00	CARE BB; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	65.12	CARE BB; Stable
Fund-based - ST-Bank Overdraft	-	-	-	18.00	CARE A4

#### 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based – LT – Term Loan	LT	330.00	CARE BB; Stable	-	1)CARE BB (23-Sep-16) 2)CARE BB (30-Aug-16)	-	-
2.	Fund-based – LT – Cash Credit	LT	30.00	CARE BB; Stable	-	1)CARE BB (23-Sep-16) 2)CARE BB (30-Aug-16)	-	-
3.	Non-fund-based – LT – Bank Guarantees	LT	65.12	CARE BB; Stable	-	1)CARE BB (23-Sep-16) 2)CARE BB (30-Aug-16)	-	-
4.	Fund-based – ST – Bank Overdraft	ST	18.00	CARE A4	-	1)CARE A4 (23-Sep-16)	-	-

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