



## Rating Rationale

### Vipul Limited

7 Jan 2019

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹395.67 Crores of Vipul Limited.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	342.19	Long Term	BWR BBB-(SO) (Pronounced as BWR Triple B Minus (Structured Obligation)) Outlook : Stable
Non Fund Based	53.48		
<b>Total</b>	<b>395.67</b>	<b>INR Three Hundred Ninety Five Crores and Sixty Seven Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, projected cash flow, publicly available information and information/clarifications provided by the Company.

The rating has, inter alia, factored in the experienced management team and established track record. The rating also takes into account the company's flagship project, Aarohan's locational advantage, increase in FAR in Feb 2018 which has increased the saleable built-up area in the project and increase in cash flow during FY19 due to positive demand for the project. The rating is, however, constrained by lack luster demand for residential projects in the NCR region, increasing leverage levels and project execution risk.

Going forward, completion of project within time lines, achieving projected cashflows and ensuring timely servicing of debt would be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- **Experienced Management:** - Mr. Punit Beriwala is the Promoter and Managing Director. He holds a B.Com Degree from Kolkata University & has over 31 years of overall experience. Ms. Guninder Singh is the CEO. She holds a B.Arch Degree Chandigarh College of Architecture & has over 35 years of experience, of which 16 years have been with Vipul Limited
- **Established track record:** - The company has delivered 19 projects with a total area of around 12 mn sq ft. out of which around 9.33 mn sq ft of area was developed in Gurgaon indicating company's strong presence in the market.
- **Flagship Project Aarohan:-** The company recently has launched its flagship project Aarohan which will be developed in two phases. Construction of first phase of the project is going on. The project enjoys locational advantage as it is in Golf Course Road, one of the premium locations of Gurgaon. Also, this is the only land parcel of this size available to be developed in the location and hence demand is expected to be relatively higher for the project.
- The company has already sold around 49.32% of the project. Also the company has received Rs. 146.03 Crs as customer advances and rest will be linked to the stages of construction of the project
- **Increase in FAR:-** In February 2018, FAR available for the project has increased. It has increased the total area which can be developed under the approved guidelines from 1.75 mn sq ft to 3.26 mn sq ft. Now the company will develop 11 towers in place of initially planned five towers on the same land parcel and hence expected cash flow has also increased from the project. First Phase of the project consists of 3 towers and second phase consists of 8 towers.

### Credit Risks:

- **Project Execution Risk:** - The project is under construction and is expected to get completed by FY 2022 exposing it to implementation risk. Further, substantial portion of the construction cost is expected to be financed from customer advances and hence timely sales realization will be a key determinant in the successful and timely completion of the project.
- **Difficult Industry Scenario:-** Real estate industry is facing a downturn for last 2 to 3 years due to over supply of inventory in different cities, muted demand and impact of



multiple regulations like RERA and GST regulations . However, locational advantage and established track record is expected to mitigate the risk of lower overall demand.

- **Increasing Leverage Level:-** Leverage of the company is on rise continuously for last three years and it is expected to go up in the coming years as loan for first phase of Aarohan is yet to be fully disbursed. Overall the leverage for the project has been estimated at relatively higher levels.

### **Analytical Approach**

For arriving at its ratings, BWR has considered evaluation of all the on going projects which are nearing completion and cash flow from first phase of project Aarohan which is enough to meet the debt obligation of all the projects under consideration. The company is expected to launch part of second phase of the project in the first half of next year.

### **Rating Outlook: Stable**

BWR believes the **Vipul Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

- Headquartered in Gurugram, Vipul Limited is a reputed brand with an established track record of over 15 years in residential and commercial real estate development. The company is in existence since 2000. The company has delivered 19 projects constituting around 12mn sq ft of area and 2 mn sq ft is under construction. Out of the total area delivered, the company has delivered ~9.33 lac sq ft in Gurugram indicating company's strong presence in the locality and understanding of the local market.
- The Group has also undertaken projects in other key cities such as Bhubaneswar, Ludhiana, Dharuhera, Bawal, and Faridabad. Also the company has completed four prime projects on Golf Course road Gurugram where the the company has recently launched 'Phase I' of its flagship project 'Aarohan.



### Promoter of the company

**Punit Beriwal - Promoter & Managing Director:- Mr. Punit Beriwal** Holds a B.Com Degree from Kolkata University & has over 31 years of overall experience. He entered Real Estate business through joint ventures with reputed builders and subsequently ventured out independently.

### Company Financial Performance

The company has reported operating income of Rs. 269.16 Crs with an operating profit of Rs. 30.73 Crs in FY18 against and operating income of Rs. 226.40 Crs with an operating profit of Rs. 19.78 Crs in FY17.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>						
1.	Term Loan	Long Term	305.77	BWR BBB-(SO) (Pronounced as BWR Triple B Minus (Structured Obligation))	NA	NA	NA
2.	Cash Credit/OD		33.00				
3.	Drop Line Limit		3.42				
4.	Bank Guarantee		53.48				
	<b>Total</b>		<b>395.67</b>	<b>₹Three Hundred Ninety Five Crores and Sixty Seven Lakhs Only</b>			

**Status of non-cooperation with previous CRA (if applicable)-NA**

**Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>2017</b>	<b>2018</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	₹ Cr	226.40	269.16
EBITDA	₹ Cr	19.78	30.73
Profit/Loss for the year	₹ Cr	-0.68	2.50
Other Comprehensive Income	₹ Cr	0.17	0.22
Total Comprehensive Income	₹ Cr	-0.51	2.72
Tangible Net worth	₹ Cr	401.40	403.53
Total Debt/Tangible Net worth	Times	1.09	1.59
Current Ratio	Times	2.21	2.27

Note: The company has implemented the new accounting standard i.e. IND AS for first time in FY 2017-18

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**
- **Short Term Debt**



**For any other criteria obtain hyperlinks from website**

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**Note on complexity levels of the rated instrument:**

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**About Brickwork Ratings**

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