



VIPUL LIMITED

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Rating

ICRA has reaffirmed the long term rating of [ICRA]BB- (pronounced ICRA double B minus) assigned to Rs. 70 crore long term debt programme, Rs. 30 crore fund based limits, Rs. 45.12 crore non-fund based limits and Rs. 4.88 crore unallocated limits of Vipul Limited (Vipul). The long term rating carries a Stable outlook.

Key Financial Indicators (Standalone)

Amount	2010-11	2011-12	9M2012-13*
Operating Income (OI)	343.57	423.78	304.84
OPBDITA	41.65	36.69	32.42
Profit after tax (PAT)	19.65	21.20	13.51
Tangible Net Worth (TNW)	379.99	399.08	412.61
Total Debt	228.52	149.26	145.39
OPBDITA/OI	12.12%	8.66%	10.63%
PAT/OI	5.72%	5.00%	4.43%
Return on Capital Employed	6.92%	6.47%	8.02%
Return on Net Worth	5.30%	5.44%	4.44%
Net Cash Accrual/Total Debt	8%	14%	13%
OPBDITA/ Interest (times)	3.47	3.61	2.45
Total Debt/TNW (times)	0.60	0.37	0.35
Total Debt/OPBITDA(times)	5.49	4.07	3.36

Note: Amounts in Rs. Crore; OI: Operating Income; OPBDIT: Operating Profit before Depreciation, Interest and Tax; PAT: Profit after Tax; PBIT: Profit before Interest and Tax; TNW: Total Net Worth; NWC: Net Working Capital; *provisional numbers

Key Rating Considerations

Credit Strengths

- Satisfactory pace of execution supported by adequate customer collections
- Established track record of the company and its experienced management
- Low approval risk for its on-going projects

Credit Challenges

- Exposure to market risk for the unsold area (~1.4 mn sq.ft), especially in commercial projects where the bookings have remained low
- Funding risk for newly launched residential projects as large part of the project cost is expected to be funded by customer advances which is contingent on timely bookings and collections
- Concentration risk arising from presence mainly in real estate market in National Capital Region
- Exposure to refinancing risk in the back drop of significant debt repayments and commitment towards committed land payments in the medium term

Rating Rationale

The rating re-affirmation takes into account the satisfactory pace of execution of Vipul's on-going projects in the first nine months of FY2013, which is well supported by adequate collections from customers over the same period. In addition, the rating continues to factor in Vipul's established track record in NCR as well as its experienced management, and low approval risk for its on-going projects. Notwithstanding the steady execution, the rating factors in the modest bookings achieved by the company in its on-going projects which coupled with no new launches in 9MFY13 resulted in decline in its operating income. Further, Vipul has significant debt repayments and committed payments towards land acquisition in medium term. ICRA has taken note of company's reliance on short term loans and believes inability to achieve adequate bookings and maintain collections could expose Vipul to refinancing risk. Moreover, the rating continues to factor in the exposure to market risk for the unsold area (~1.4 mn sq.ft), risk of which is further accentuated as a large part of the cost is expected to be funded from customer advances. Going forward, its ability to maintain healthy bookings as well as customer collections and project execution will be amongst the key rating sensitivity factors.

Operational Highlights

Experienced management and established track record of the company

Vipul Limited (Vipul), formerly known as Vipul Infrastructure Developers Limited; was established in 1991 by Mr. Punit Beriwalla and is listed on Bombay Stock Exchange and Madras Stock Exchange. Further the shares of the company are also permitted to trade on National Stock Exchange. Mr. Beriwalla has 24 years of experience in the Indian real estate sector. Vipul has built a team of qualified professionals in the technical, financial, marketing and legal disciplines, for evaluating, planning and constructing projects. The senior and middle level management in the organization has considerable experience in their relevant fields.

Vipul has already delivered about six million square feet (sq. ft) space in commercial, retail and residential segments and is presently developing an area of about ten million sq. ft through its various projects which include integrated township, villas, independent floors and apartments.

Operational snapshot of major projects as on December 31, 2012

Project Name	Vipul World Gurgaon	Vipul Gardens Bhubaneswar	Vipul Plaza Faridabad	Vipul World Ludhiana (Plotted)	Vipul Lavanya	Vipul Greens OSHB
Nature of Project	Mixed	Residential	Commercial	Residential	Residential	Mixed
Launched	FY2008	FY2010	FY2010	FY2009	FY2011	FY2012
Saleable Area (mn sq.ft)	3.50	0.95	0.29	1.34	0.89	0.47
Area Booked (mn. Sq.ft)	3.25	0.90	0.08	1.08	0.65	0.16

Project Name	Vipul World Gurgaon	Vipul Gardens Bhubaneswar	Vipul Plaza Faridabad	Vipul World Ludhiana (Plotted)	Vipul Lavanya	Vipul Greens OSHB
% of Total	93%	94%	26%	81%	73%	34%
Customer Advances (Rs. Crore)	1114.67	168.65	22.12	61.45	184.01	19.62

Source: Vipul Limited

On-going developable portfolio remains concentrated towards NCR (especially Gurgaon)

Of the total area being developed (around 10 million square feet (mn. Sq. ft.)), more than 50% of it continues to be in the NCR (especially Gurgaon). Thus, exposure of the company to geographical risk remains. Of the eight on-going projects, Vipul's main projects (in terms of area launched and being developed) are Vipul World Gurgaon (Gurgaon, Haryana), Vipul World Ludhiana (Ludhiana, Punjab) and Vipul Garden (Bhubaneswar, Orissa). In addition to the above mentioned three projects, the company had launched Vipul Lavanya (Gurgaon, Haryana) and Vipul Greens OSHB (Bhubaneswar) in CY 2011 having 1.36 mn.sq.ft. of saleable area. Further, it has already started offering possession in Vipul Belmonte and Vipul Green; the two projects are expected to be completed in the near term with less than Rs. 5 crore to be spent on the two projects. While these projects are mainly catering to the residential segment with some having commercial portion too; there is also an on-going commercial project being developed by the company in Faridabad (Haryana) called Vipul Plaza Faridabad.

Older projects continue to support the cash flows; however, market risk remains for unsold area

Launched in FY2008, its largest project **Vipul World Gurgaon** having a saleable area of 3.5 mn sq.ft, has achieved 94% of bookings with a sale value of Rs. 1175 crore, an increase by Rs. 79 crore since March 31, 2012. As against the total sale value, the company has received Rs. 1115 crore, indicating a healthy collection ratio of 95%. Of the total customer advances of Rs. 236 crore received in 9MFY 13, about 62% was contributed from this project. Going forward also, ICRA expects the project to support the cash flows of the company. Further, the company has also incurred around 95% of the cost with around Rs. 51 crore pending to be incurred.

Phase I of its another project - **Vipul World Ludhiana** was launched in FY2009. While the project is an integrated township located at Ferozpur road, Mullanpur District, Ludhiana and is spread over 109 acres, the company had only launched 40 acre (Phase – 1) of the plotted development for which the approvals have been received. In addition, the company launched commercial (21000 sq.ft. having 40 units) and floor space (43920 sq.feet having 30 units on 10 plots) in the FY 12. Majority of the sales for this project continue to come from plots. This translates into saleable are of 1.34 million sq.ft; of which the company has received bookings for 1.08 million sq.ft. (81% of total area). The total sale value is about Rs. 67 crore against which the company has received a healthy Rs. 61 crore (91% of total sale value). Against the total cost of Rs. 83 crore, the company has already incurred Rs. 77 crore. Thus, balance cost of Rs. 5 crore is expected to be incurred in the current financial year. Being a plotted development, the cash flows as well as profitability for this project is likely to be relatively better than other group housing projects.

Vipul Gardens Bhubaneswar is a group housing project and was launched in FY2010 and is located at Kalinga Nagar in Bhubaneswar. Owing to its location, the project has witnessed healthy bookings with around 0.90 mn sq.ft. of area booked; thus mitigating the market risks. The company has been able to book the area at an average rate of ~Rs. 2300 per sq.ft resulting in a sale value of Rs. 205 crore. As on December 31, 2012, Vipul had received Rs. 169 crore from the customers. As against the total revised budgeted cost of Rs. 178 crore, the company has already spent Rs. 151 crore as on December 31, 2012.

In addition, its projects (**Vipul Greens and Vipul Belmonte**) are approaching completion with around 99% of the project cost spent and 100% area sold. The projects are expected to be completed in the near term.

Exposure to marketing and funding risk continue to remain in the back drop of moderation in bookings

In 9MFY 13, Vipul had recorded incremental sales of 0.16 mn sq.ft as compared to 0.88 mn sq.ft in FY 12. The real estate market has been sluggish mainly on account of high interest rates and slowing economy which coupled with limited new launches by Vipul is expected to have an impact in its scale of operations. Further, Vipul has around ~1.4 mn sq.ft of unsold area which exposes the company to marketing risk given the subdued demand. The risk is further accentuated as a large part of the cost is expected to be funded from customer advances.

Financial Position***Moderation in bookings and limited launches result in flat revenues in 9MFY13***

In FY 12 Vipul's operating income of Rs. 424 crore witnessed a rise of 23.3%. Nonetheless, its operating margins reduced to 8.7% as compared to 12.1% in FY 11. Significant increase in the cost of projects resulted in decline in the operating profitability for the company. Further, owing to steady customer advances, the reliance of the company on external debt remained low. This resulted in decrease in the interest cost to Rs. 10.18 crore in FY12 as compared to Rs. 12 crore a year ago as a result of which the net profit witnessed a 8.7% growth, rising from Rs. 19.65 crore in FY11 to Rs. 21.20 crore in FY12. The net margin reported by the company was 5.0% for FY12 as compared to 5.7% in FY11.

For the 9MFY13, the company has reported an operating income of Rs. 305 crore; marginally higher than Rs. 299 crore over the same period a year ago. For the said period, their operating margin was 10.6%, comparable to 10.7% observed in 9MFY12. However, increased reliance on debt coupled with higher interest rate resulted in interest charges to witnessed a sharp increase. For 9MFY13, interest charges stood at Rs. 13.24 crore as compared to Rs. 7.6 crore a year ago. Consequently, the net profit margin reduced to 4.5%. The company reported a net profit of Rs. 13.6 crore.

Exposure to refinancing risk in the back drop of significant debt repayments and commitment towards land payments in the medium term

In the 9MFY13, customer collections, although lower than ICRA expectation, were adequate at Rs. 236 crore. However, Vipul's continued focus on execution coupled with payment towards land acquisition and the debt obligation kept the debt of the company higher than ICRA expectation. The debt as on December 31, 2012 was Rs. 145 crore. While Vipul's gearing remained at 0.35 times as on December 31, 2012, owing to the sharp rise in the interest charge, its interest coverage ratio declined to 2.45 times as on December 31, 2012 as compared to 3.61 times on March 31, 2012. Further, ICRA has taken note of company's reliance on short term loans and believes inability to achieve adequate bookings and maintain collections could expose Vipul to refinancing risk. Vipul has around Rs. 85.81 crore of debt coming up for re-payment in FY14-FY15 apart from an equal amount towards land payments in the medium term.

Going forward, new launches and ability to achieve sales coupled with scaling up of execution will be important for further improvement in its cash collection given that a large part of the funding of the project is dependent on customer collections.

Company Profile

Vipul Limited (Vipul), formerly known as Vipul Infrastructure Developers limited, has completed various residential and commercial projects in the National Capital Region (NCR), Bhubaneswar, Ludhiana and Dharuhera region. The company was incorporated in 1991 and is listed on Bombay Stock Exchange and Madras Stock Exchange. Further the shares of the company are also permitted to trade on National Stock Exchange. Vipul is promoted by Mr. Punit Beriwal, who has 24 years of experience in the Indian Real Estate. Mr. Beriwal is ably supported by his qualified and experienced staff in the decision making. Vipul has already delivered about six million square feet (sq. ft) and is presently working on an area of about ten million sq. ft through its various projects which include integrated township, villas, independent floors and apartments.

Recent Results

In FY12, the company reported a profit after tax (PAT) of Rs. 21.20 crore on an operating income (OI) of Rs. 423 crore compared to PAT of Rs. 19.65 crore on an OI of Rs. 343 crore a year ago. In nine months ending December 31, 2012, the company has reported PAT of Rs. 13.5 crore on an OI of Rs. 305 crore.

March 2013

Annexure I: Rating Table

Instrument	Amount rated	Rating
	In Rs. Crore	As in March'13
Long Term Debt	70.00	[ICRA]BB- (<i>Re-affirmed</i>)
Fund Based Facilities	30.00	[ICRA]BB- (<i>Re-affirmed</i>)
Non-fund Based Facilities	45.12	[ICRA]BB- (<i>Re-affirmed</i>)
Unallocated Limits	4.88	[ICRA]BB- (<i>Re-affirmed</i>)



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