

Press Release

Rupa Infotech and Infrastructure Private Limited

April 25, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.131.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook:Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) to the Rs.131.00 crore bank facilities of Rupa Infotech and Infrastructure Private Limited (RIPL). The outlook is '**Stable**'.

The rating reaffirmation reflects steady cash flows vis-à-vis its repayment obligations, moderate liquidity and financial flexibility from its unsold space. However, the ratings are constrained by counterparty risk and risk of re-negotiations.

Mumbai based, RIPL was incorporated in 2015. The company is primarily engaged in developing of commercial properties and leasing activities. RIPL has developed two projects - 'Platinum Techno Park' at Vashi and 'The Rupa Solitaire Park' at Mahape. It has developed about 16.03 lakh square foot (sft) of commercial space; and, of which about 11.03 sft is sold, unsold space is about 0.37 lakh sft and rest is leased out as of January 2019.

RIPL is a part of Rupa Group which is mainly engaged in real estate activities. The group comprises of Rupa Infotech and Infrastructure Private Limited, Rupa Renaissance Limited, Platinum Finleasing and Infra Development Private Limited, among others. The group has developed about 13 projects both commercial, residential and IT space across the cities of Mumbai and Thane.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RIPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

RIPL, incorporated in 2005, is a Mumbai based company engaged in the business of real estate development. Mr. Bimal Desai, the key Director, possesses 25 years of business experience in real estate sector and has completed several projects in Mumbai and Navi Mumbai. Acuité believes that RIPL will continue to benefit from the established background of its promoters over the near to medium term.

• Steady revenue stream under lease agreements with reputed clients

RIPL derives its revenues by way of rentals from Platinum Techno Park at Vashi and The Rupa Solitaire Park at Mahape. The total area leased under both the properties is 4.63 lakh sqft. The key lessees include Morning Star, Barbeque Nation, Café Coffee Day (CCD), Dominos, SBI, Vodafone India and Aegis Limited, amongst others. The increasing importance of Navi Mumbai and availability of good infrastructure have resulted in Navi Mumbai becoming an important destination for corporate offices. The agreements with these clients are for around 3 years with the option to roll over. Further, RIPL is also open to sell the space in case of better realisations; it has sold about 11.03 sqft as of March, 2019.

Of the total revenues in FY2018 of about Rs.62.36 crore, 58 percent is from lease rentals and 42 percent is from sale of space. Major portion of the area sold is out of the inventory, which is not leased out. Acuite believes that the location of the two properties at Navi Mumbai and availability of requisite infrastructure will ensure steady demand for the commercial space and revenue flow.

Weaknesses

• Counterparty risk

The revenue of RIPL is derived by way of rent from reputed corporates. RIPL ensures that the credit quality is satisfactory. However, the counterparty risk is significantly high in case of occurrence of any events such as changes in policy decisions by top management, early exits or renegotiation by client.

• Susceptibility of operating performance to dynamics of commercial real estate segment in and around Navi Mumbai

RIPL has only two projects which are located in Navi Mumbai. As a result, any disruption in the business dynamics in and around Navi Mumbai and any large new inventory may lead to price re-negotiations which may have a bearing on the cash flows of the company. Further, shift of the enterprises to a better location or better infrastructure may adversely impact the business risk profile and operating performance of the company.

Liquidity Position

Liquidity of RIPL is moderate marked by moderate cash accruals. It has reported cash accruals of Rs.15.27 crore in FY2018 and its cash accruals are expected to be in the range of Rs.15.5-17.00 crore against its repayment obligations of about Rs.14.30-17.40 crore. Further, incremental cash flow from sale of space adds comfort for the liquidity. In FY2018, it has realised about Rs.26.33 crore by sale of space. The company has unencumbered cash and bank balance of Rs.0.80 crore as on 31 March, 2018. Acuite believes that the liquidity profile continues to be moderate supported by moderate accruals, absence of major debt funded capital expenditure and financial fungibility from sale of space.

Outlook: Stable

Acuite believes that RIPL will maintain a 'Stable' credit profile over the medium term on the back of established lease arrangements with reputed clients. The outlook may be revised to 'Positive' in case of higher cash accruals from higher rentals on renewal of lease agreements, higher than expected cash flows from sale of space and early repayment of loans. The outlook may be revised to 'Negative' in case of significant dip in the lease rentals or re-negotiations leading to lower cash flows impacting the debt protection metrics and any significant investments to other group entities.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	62.36	62.17	91.11
EBITDA	Rs. Cr.	33.55	35.86	40.05
PAT	Rs. Cr.	14.94	18.28	15.55
EBITDA Margin	(%)	53.80	57.67	43.96
PAT Margin	(%)	23.95	29.41	17.07
ROCE	(%)	15.81	15.68	29.88
Total Debt/Tangible Net Worth	Times	2.12	2.97	1.69
PBDIT/Interest	Times	2.29	2.26	2.33
Total Debt/PBDIT	Times	4.24	4.27	4.16
Gross Current Assets (Days)	Days	1401	1428	874

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Feb-2018	Term Loans	Long Term	8.05	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	9.47	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	2.20	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	41.05	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	6.82	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	4.46	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	2.94	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	10.22	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	4.17	ACUITE BBB+ / Stable (Assigned)
	Term Loans	Long Term	36.00	ACUITE BBB+ / Stable (Assigned)
	Proposed	Long Term	5.62	ACUITE BBB+ / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	6.09	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	6.38	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.81	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	29.59	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	5.11	ACUITE BBB+/Stable (Reaffirmed)

Term Loans	Not Applicable	Not Applicable	Not Applicable	3.36	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.18	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	7.83	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.19	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	32.39	ACUITE BBB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	6.22	ACUITE BBB+/Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	26.85	ACUITE BBB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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