

Press Release

Jodhpur Rbu Infrabuild Private Limited

June 23, 2020



Rating Downgraded

Total Bank Facilities Rated*	Rs.21.72crore
Long Term Rating	ACUITE BB+/ Outlook: Stable (Downgraded from ACUITE BBB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded its long-term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.21.72crore bank facilities of Jodhpur Rbu Infrabuild Private Limited (JRIPL). The outlook is '**Stable**'.

The downgrade in the rating is mainly on account of exposure to weak counter party- Suzlon Energy Limited (SEL), which is currently under debt restructuring. The accumulated lease rental receivable as on March 31, 2020 was Rs.2.36crore (Provisional) as there were irregularities in the receipt of rental dues from November, 2019 till date.

Incorporated in the year 2012, JRIPL is a Gurgaon(Haryana) based company. The company is promoted by Mr. Pankaj Bansal and Mr. Krishnamurthy Ramakrishnan Iyer. The company is engaged in construction and lease of industrial premises. The company has leased a specially constructed factory premises at Jaisalmer(Rajasthan) to Suzlon Energy Limited for manufacture of rotor blades used in windmills. The company is a 100 percent subsidiary of P B Infrabuild Private Limited, which is engaged in the civil construction business and has provided corporate guarantee for the borrowings.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The company is promoted by Mr. Pankaj Bansal and Mr. Krishnamurthy Iyer. The promoters of the company have been engaged in the field of construction and leasing of space for around four decades. The extensive experience of the promoters along with its established track record of operations is reflected through the long term lease agreement with the tenant. The total area leased is 18.4 acres with built up area of 18.67 lakh sq. ft. the facility was rented at a monthly lease rental of about Rs.0.39crore in 2016 with an annual escalation at 3.50percent with an agreement till January 2025.

Acuité believes that the company will benefit from its established trackrecord of operations, experienced management.

Weaknesses

- **Susceptibility of operating performance due to weakcounterparty risk**

JRIPL generates its revenues by the way of lease rentals from Suzlon Energy Limited. Currently, SEL is under the process of debt restructuring, as a result there have been irregularities in timely receipt of rental payment, which has impacted the cash flows of the JRIPL. The company has sold a land parcel during November, 2018 of Rs.1.10crore.

Acuité believes that any further disruption in the business dynamics will adversely impact the business risk profile and operating performance of the company.

- **Susceptibility to lessee' underperformance along with renewal risk**

JRIPL primarily generates cash flows via lease rentals from its tenant, SEL. The company's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals from its tenant. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams, thereby affecting JRIPL's debt servicing ability. The renewals leasing at better terms, any significant renegotiations by the lessees can adversely impact the cash flows.

Rating Sensitivities

- Further delays in the rent payment will adversely impact the cash flow of the company
- Ability to renegotiate the lease agreement or to refinance its debt

Material Covenants

None

Liquidity position: Stretched

The company generated cash accruals of Rs.2.78crore in FY2020 (Provisional) as against maturing debt obligations of Rs.2.45crore during the same period. There have been irregularities in receipt of lease rental payments from November 2019 onwards. The lease agreement is backed by bank guarantee of Rs.4.45crore and security deposit of Rs.2.30crore from SEL, which can be used for repayment of debt if SEL is unable to pay the rentals in time.

Acuité believes that the liquidity of the company is exposed to significant counterparty risk and the liquidity could be under pressure in case of further irregularities in receipt of lease rentals.

Outlook: Stable

Acuité believes that the company will maintain a stable outlook over the medium term backed by its experienced promoter's and established track record in the aforementioned industry. The outlook may be revised to "Positive", if the company maintains early payment of its loan obligations while maintaining its cash accruals. Conversely, the outlook may be revised to "Negative", if there is significant stretch in its receivables leading to deterioration of its financial flexibility and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	5.20	5.02
PAT	Rs. Cr.	2.00	1.79
PAT Margin	(%)	38.49	35.67
Total Debt/Tangible Net Worth	Times	1.43	1.92
PBDIT/Interest	Times	2.68	2.55

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Real Estate Sector-<https://www.acuite.in/view-rating-criteria-63.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Apr-2019	Term Loan	Long Term	21.72	ACUITE BBB- (Withdrawn)
	Term Loan (LRD Scheme)	Long Term	20.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.72	ACUITE BBB-/Stable (Assigned)
19-Mar-18	Term Loan	Long Term	21.72	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 Loan (LRD Scheme)	December 2016	Not Applicable	December 2024	20.00	ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.72	ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Ratings Tel:022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Kumar Abhisek Ratings Analyst - Rating Operations Tel: 011-49731308 kumar.abhisek@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.