

Press Release

Jodhpur RBU Infrabuild Private Limited

August 13, 2020

Rating Reaffirmed and Withdrawn



Total Bank Facilities Rated*	Rs.17.53 Cr. (Revised from Rs.21.72Cr)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.17.53 crore bank facilities of Jodhpur RBU Infrabuild Private Limited (JRIPL). The outlook is '**Stable**'.

Further, Acuite has withdrawn the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.4.91crore bank facility of Jodhpur RBU Infrabuild Private Limited (JRIPL). The withdrawal is on account of the withdrawal request received from the client and no objection certificate received from the banker.

Incorporated in the year 2012, JRIPL is a Gurgaon-Haryana based company. The directors of the company are Mr. Pankaj Bansal and Mr. Krishnamurthy Ramakrishnan Iyer. The company is engaged in the construction and lease of industrial premises. The company has leased a specially constructed factory premises at Jaisalmer (Rajasthan) to Suzlon Energy Limited for the 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 a corporate guarantee for the borrowings.

Analytical Approach

Acuite 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 directors of the company are Mr. Pankaj Bansal and Mr. Krishnamurthy Iyer, who have been engaged in the field of construction and leasing of space for around four decades. The extensive experience of the directors 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 3.50 percent with an agreement till January 2025. Acuite believes that the company will benefit from its established track record of operations and experienced management.

Weaknesses

- **Susceptibility of operating performance due to weak counterparty risk**

JRIPL generates its revenues by way of lease rentals from Suzlon Energy Limited. The credit profile of SEL has significantly deteriorated thus leading to instances of irregularities in timely receipt of rental payment, which has impacted the cash flows of the JRIPL. As on March 31, 2020, the debtor collection period is 166 days (Prov.) as against 68 days as on March 31, 2019. Irregularity in the payment from SEL along with longer payment terms has resulted in accumulated receivables of Rs.2.36crore (Prov.) as on March 31, 2020. Till date, the JRIPL has received the monthly rent up to January-2020. Acuite believes that any further disruption in the business dynamics on account of the weak credit profile of the counterparty leading to deterioration in timely cash flows will remain a key monitorable.

• Susceptibility to lessee' underperformance

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/renewal 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.

Liquidity Position: Stretched

The company generated cash accruals of Rs.2.78crore (Prov.) in FY2020 as against maturing debt obligations of Rs.2.45crore during the same period. As on March 31, 2020, the debtor collection period is 166 days (Prov.) as against 68 days as on March 31, 2019. Irregularity in the payment from SEL along with longer payment terms has resulted to accumulated receivables of Rs.2.36crore (Prov.) as on March 31, 2020. The company has witnessed the irregularities in receipt of lease rental payments from SEL since November 2019. However, till date, JRIPL has received the monthly rent up to January, 2020. Acuite 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.

Rating Sensitivities

- Any further deterioration in working capital leading to weakening of liquidity

Outlook: Stable

Acuite 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', in case of any further stretch in its receivables position leading to deterioration in 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

Any Material Covenants

None

Applicable Criteria

- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Jun-2020	Term Loan (LRD Scheme)	Long Term	20.00	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
	Proposed Bank Facility	Long Term	1.72	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable)
10-Apr-2019	Term Loan (LRD Scheme)	Long Term	20.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	21.72	ACUITE BBB- (Withdrawn)
	Proposed Bank Facility	Long Term	1.72	ACUITE BBB-/Stable (Assigned)
19-Mar-2018	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	17.53	ACUITE BB+/ Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.19	ACUITE BB+ (Withdrawn)

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About Acuite Ratings & Research:

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