

Press Release

Nirupam Associates

June 12, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr
Long Term Rating	ACUITE B+/ Stable (Assigned)

* Refer Annexure for details

Erratum: In the original PR dated 30 January 2020, the hyperlinks to the relevant rating criteria referred to an earlier version which have now been updated in this version. Also, there was an error in the Key Financial Indicator table, which has been rectified in this version

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.8.00 crore bank facilities of Nirupam Associates. The outlook is '**Stable**'.

Bhopal based Nirupam Associates (NA) is a proprietary concern, promoted by Mr. R. B. Singh in 1997. The concern is engaged in real estate development of residential and commercial projects in Madhya Pradesh and has completed several projects in and around Bhopal. Currently NA has two ongoing projects namely Nirupam Royal Palms, a residential project and Nirupam Yadav Trade Center, a commercial project.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Nirupam Associates to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced proprietor and established track record:

NA was established by Mr. R. B. Singh, Mr. Singh is a civil engineer and has more than three decades of experience in the real estate sector. Since 1997, the concern has executed various real estate projects residential and commercial in Madhya Pradesh, which includes Nirupam Estate, Nirupam Royal Palms, Nirupam Residency, etc. Currently NA has two ongoing projects in Bhopal and Sehore.

Acuite believes that the business profile of the concern will continue to benefit from the proprietor's experience in the real estate sector.

Weaknesses

• Slow traction in sale of ongoing projects:

NA currently has two ongoing projects in Bhopal, namely Nirupam Royal Palms (NRP) and Nirupam Yadav Trade centre (NYTC). NRP is a residential project started in 2013, consist 291 flats with total saleable area of 2,73,994 sq ft. Till September 2019, the concern has incurred a cost of 57 per cent of the total envisaged cost, while ~9 per cent of the project is sold. NYTC is a commercial project started in 2014, consist 132 units with total saleable area of 45,489 sq ft. Till September 2019, NA has incurred a cost of 36 per cent of the total envisaged cost, while ~2 per cent of the project is sold.

Acuite believes that the NA's ability to execute the projects as per schedule while achieving sales traction towards these projects will be a key rating sensitivity.

• Real estate cyclical and regulatory risks

The real estate industry in India is highly fragmented with many real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature, which is likely to impact operations of players such as NA. The real estate sector is under stress on account of large amounts of unsold inventory and high borrowing costs. Given the high degree of financial leverage the high cost of borrowing inhibits the real estate developers' ability to reduce prices. Further, the industry is exposed to regulatory risk, which is likely to impact players such as NA, thereby impacting its operating capabilities.

Rating Sensitivity

- Timely project execution as per schedule.
- Lower than expected sales traction leading to increased dependence on proprietor's fund.

Material Covenants

None

Liquidity Position: Stretched

Nirupam Associates has stretched liquidity profile marked by moderate cash accrual. The company generated cash accrual of Rs.0.66 crore as against the debt obligation of Rs.8.97 crore in FY2019. The company maintains cash and bank balances of Rs.0.09 crore as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term.

Outlook: Stable

Acuite believes that Nirupam Associates will maintain a 'Stable' outlook over medium term on account of established track record and experienced promoter. The outlook may be revised to 'Positive' in case of higher than expected improvement in sales. Conversely, the outlook may be revised to 'Negative' in case of delay in completion of project and lower than expected profitability and margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	7.39	11.34
PAT	Rs. Cr.	0.60	0.60
PAT Margin	(%)	8.17	5.31
Total Debt/Tangible Net Worth	Times	1.77	2.24
PBDIT/Interest	Times	1.63	1.68

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities- <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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B+/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President – Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Aditya Sahu Analyst - Rating Operations Tel: 022-49294055 aditya.sahu@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294021 rating.desk@acuite.in</p>

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.