Tulip Infratech Private Limited

April 06, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	500.00 (Enhanced from 124.00)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**500.00 (Rs. Five Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Tulip Infratech Private Limited (TIPL) continues to derive strength from the experienced promoters with track record of executing real estate projects in National Capital Region (NCR), moderate sale status, satisfactory customer collection vis-à-vis sales and adequate liquidity. The rating, however, continues to be constrained by the high dependence on customer advances for the ongoing projects, project execution risk and off-take risk majorly of project Aarohan (Gurgaon) and subdued Industry Scenario coupled with impact of Covid-19.

Key Rating Sensitivity

Positive Factors

- Timely completion of the project within the estimated timelines
- Ability to achieve increased sales velocity and strong collection efficiency

Negative Factors

- Reduction in sales velocity or collection efficiency

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and sound track record

Founded by Mr. Praveen Jain in 2005, the Gurgaon-based Tulip Group is into real estate development in NCR (mainly Gurgaon) and has delivered eight residential and one commercial project aggregating to 56.18 lsf area till Feb 28, 2021. Mr. Praveen Jain, CMD of TIPL, has more than two decades of experience in construction, real estate and development and is ably assisted by his two brothers viz. Mr. Vipin Jain and Mr. Vikas Jain who are executive directors in TIPL. The company has won various awards and accolades including 'Best group housing project in affordable segment - Tulip orange' by National Real Estate Development Council (NAREDCO; 2014), 'Most Promising Real Estate Developer for Residential Projects in Delhi/NCR' by NDTV Profit (2012), etc.

Moderate sale status and satisfactory customer collection vis-à-vis sales

The company is developing two projects namely The Leaf and The Yellow. The company has applied for Occupation certificate (OC) of project Leaf and is yet to start the sale of the project and is planning to commence sale after the receipt of OC. In project "The Yellow", the company has received Rs. 27.8 crores as on Feb 2021. Both these projects are debt free and are funded majorly from customer collection from sale of flats and promoter equity or realization from sale of past completed projects.

Key Rating Weaknesses

Project execution risk and off-take risk

Till Dec 31, 2020, the company has incurred Rs. 680 cr out of the total Rs. 2705 cr that is, ~25% (PY: 10%) of the total project cost. However, construction of the Aarohan project is at a nascent stage of operations. In Aarohan, as on Dec 31, 2020, company has sold 4.37 lsf i.e. ~60% of the total saleable for total value of Rs. 427 Cr. Also, ~56% of this value i.e Rs.240Cr has been realized by the company till Dec 2020. In project "The Yellow", the company has received Rs. 27.8 crores as on Feb 2021.

With significant portion of the cost yet to be incurred and major portion of some of the projects yet to be sold; the projects remains exposed to project execution risk and off-take risk.

Subdued industry scenario coupled with impact of Covid-19

With the on-going economic conditions, the real estate industry is currently facing issues on many fronts, including subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc. thereby resulting in stress on cash flows of developers. The industry has seen low demand in the recent past, primarily due to factors like sustained high level of inflation leading to high interest rates and adverse impact on the buying power and affordability for the consumers.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

The company is affected with the global pandemic as the construction work as well as the process work for on-going project came to halt. However, the liquidity buffer was adequate. However, Delhi NCR's realty landscape showed some recovery in Jul-Sep 2020, i.e. soon after the gradual lifting of the nationwide lockdown. Brokers and developers reported a marked improvement in the quality of leads during the quarter as serious homebuyers ventured into the market to conduct site visits. Resultantly, monthly sales volume recovered by almost 50% in July. The recovery of the property market in Gurgaon was quicker than the other zones in Delhi NCR.

New project Aarohan

The company has acquired this under construction project from another developer during Q4FY21 along with the outstanding debt of Rs.357cr. The project is named as Aarohan and situated at Golf Course, Gurgaon. As part of the transaction the company will take over debt of Rs.357cr, along with the under construction area and sharing of part of the area with the erstwhile owner of the project. Apart from this Tulip will pay Rs.50cr upfront to the lenders, as part of the DSRA and will be utilized to meet the interest payment.

Further as on Dec 31 2021, the project has sales of Rs.427 cr and collection of Rs.240 and pending receivable of Rs.187 cr.

The project comprise of 11 towers with 762 flats spread over 4 phases and presently the company is implementing phase 1 of the project comprising of 336 flats. In this the company has incurred Rs.597 cr out of the total cost of Rs.1042 cr for phase 1 only.

Presently the project is under transfer from its earlier owners to Tulip and some legal formalities are yet to be completed, pending which the company has not relaunched the project and not commenced the full construction at the project site.

The cost of the project is estimated at Rs.2304cr proposed to be funded through debt of Rs.357 cr, promoter equity of Rs.200 cr and remaining from customer advances.

The debt portion is already availed by the company as part of the transaction and CARE understands that the company will not be any additional debt to meet the construction of this project and the spending will be met through customer advances or promoter equity. Therefore going forward any major increase in the debt level from the envisaged debt level, will have an adverse impact on the financial risk profile of the company.

Liquidity analysis: Adequate

The liquidity of the company is adequate as reflected by consistent customer collection. Also, the repayment for the loan is proposed to commence from Q4FY24. Further with the availability of confirmed receivable and repayment dependent on the customer collection, the liquidity appears adequate.

Also, the company has not availed moratorium as provided by the banks in lines with RBI guidelines in wake of COVID-19.

Analytical Approach: Standalone

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
CARE's methodology for Real Estate Sector
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios – Non-Financial Sector

About the Company

Incorporated on December 27, 2005, Tulip Infratech Pvt. Ltd. (TIPL) is the flagship company of Tulip Group. Founded by Mr. Praveen Jain in 2005, the Gurgaon-based Group is into real estate development in NCR (mainly Gurgaon) and has completed nine residential and one commercial project aggregating 56.18 lsf area till Feb 28, 2021. TIPL primarily undertakes development by entering into joint development agreements (JDA) with land owners where title is clear. As part of consideration towards land, the land owners are provided a particular portion of developed area.

(Rs. In crores)

Brief Financials (Rs. crore)	31-03-2019	31-03-2020
	A	A
Total operating income	170.52	175.41
PBILDT	14.79	15.40
PAT	10.28	11.18
Overall gearing (times)	0.03	0.01
Interest coverage (times)	31.36	27.32

A-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	451.00	CARE BBB; Stable
Non-fund-based - LT-BG/LC	-	-	-	49.00	CARE BBB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	451.00	CARE BBB; Stable	1)CARE BBB; Stable (06-Jul-20)	1)CARE BBB; Stable (05-Apr-19)	1)CARE BBB; Stable (06-Apr-18)	1)CARE BBB; Stable (25-May-17)
2.	Non-fund-based - LT-BG/LC	LT	49.00	CARE BBB; Stable	1)CARE BBB; Stable (06-Jul-20)	1)CARE BBB; Stable (05-Apr-19)	1)CARE BBB; Stable (06-Apr-18)	1)CARE BBB; Stable (25-May-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Non-fund-based - LT-BG/LC	Simple

Note on complexity levels of the rated instrument*: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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