

Nirmal Lifestyle Limited

Rating downgraded to 'CRISIL B+(SO)/Negative

Rs.2.97 Billion Non Convertible Debentures	CRISIL B+(SO)/Negative (Downgraded from CRISIL BB+(SO)/Stable)
---	---

CRISIL has downgraded its rating on the non-convertible debentures (NCDs) of Nirmal Lifestyle Limited (NLL) to '**CRISIL B+(SO)/Negative**' from 'CRISIL BB+(SO)/Stable'.

The rating downgrade reflects deterioration in the company's credit risk profile on account of heightened project risk led by delay in the launch of its Premium Residency project by more than 15 months. The project was earlier expected to be launched in November 2014 but was delayed because of weak demand. This has constrained cash flows and liquidity, resulting in high reliance on surplus generated from other ongoing projects for servicing coupon payments on the NCDs. The instruments carried a moratorium on the coupon payments for the first four quarters and a concessional coupon rate of 12 percent per annum for the subsequent four quarters until March 2016. Additionally, the moratorium on principal payment was extended for another four quarters and repayment will commence from June 2017; given the weak demand scenario and delay in project implementation, cash flows may not be sufficient to service maturing debt obligations. CRISIL expects the liquidity to remain stretched over the medium term, and timely refinancing of debt and funding support from the promoters will remain key rating sensitivity factors.

The rating reflects the company's exposure to high project implementation risk, accentuated by the initial stage of construction and susceptibility to cyclical demand inherent in the real estate sector. These weaknesses are partially offset by the extensive experience of NLL's promoters in the real estate business, tight escrow-backed mechanism for the NCDs, and the prominent location of the project.

Outlook: Negative

CRISIL believes NLL's cash flows and liquidity will remain constrained over the medium term on account of delay in implementation of its project. The rating may be downgraded if further time or cost overrun in project implementation or lower-than-expected bookings and customer advances further pressurise liquidity. Conversely, the outlook may be revised to 'Stable' in case of substantial bookings for, and receipt of sizeable customer advances from, ongoing projects, resulting in a large surplus.