

Press Release

Indiabulls Infraestate Limited

December 25, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Supported Rating*	Rating Action
1.	Non-Convertible Debenture (NCD)	350.00	IVR AA- (CE)/Stable Outlook {IVR Double A Minus (Credit Enhancement) with Stable Outlook}	Assigned
	Total	350.00		

* CE rating based on Indiabulls Real Estate Limited's unconditional and irrevocable corporate guarantee.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from strong parentage (IBREL), group's diversified portfolio of projects with presence in multiple cities in India and hi-end real estate project (Indiabulls BLU Estate & Club – Worli). The rating strengths however, continue to be tempered by susceptibility to cyclicalities inherent in the Real-estate sector and high dependence on customer advances.

The rating of the instrument is based on unconditional and irrevocable corporate guarantee received which covers the entire amount and tenor of the rated facilities. Given the attributes, the guarantee provided by Indiabulls Real Estate Limited is adequately strong to result in an enhancement of the rating of the said facilities to **IVR AA-(CE)/Stable** against the unsupported rating of **IVR A/Stable**.

Key Rating Sensitivities

- **Upward Factor** -With the business strategy to reduce its total debt to zero by divesting its properties and paying its debt from the sale proceeds, the company achieving all its divestment targets and would improve its capital structure even further and call for a positive rating action.
- **Downward Factor** - Any delay in achieving the envisaged sale receipts or utilization of the proceeds for any other purpose would put further stress on capital structure and call for a negative rating action.

List of key rating drivers with detailed description

Key Rating Strengths

Strong Parentage (IBREL):

Mr. Sameer Gehlaut has been the chairman of Indiabulls Group since inception. Under his leadership, Indiabulls group has grown in scale and size to a business house with strong businesses in various sectors. IBREL has already completed about 216 lakh square feet (lsf) of real estate development in a span of 10-12 years. The group has healthy lease tie-ups which provide revenue visibility for commercial projects. Also, the group has a sizeable availability of sizeable land bank backed by high OC inventory. With the current business strategy of focusing on asset light model, the company has divested much of its properties and assets and reduced its debt from the sales proceeds.

Diversified portfolio of projects with presence in multiple cities in India:

Indiabulls Real Estate Limited (IREBL) has a diversified investment portfolio, which comprises a mix of real estate projects including commercial office spaces and residential. Under the guidance of Mr. Sameer Gehlaut (Founder-Chairman), it has emerged as one of the leading business conglomerates in the country with business interest across various sectors like consumer finance, real-estate, infrastructure & construction leasing, pharmaceuticals, etc. Currently, IBREL is developing commercial and residential projects in metros and Tier-1 cities, i.e. Mumbai, Thane, Panvel, Delhi, and Gurgaon (NCR). It has also completed projects located in other cities like Vadodra, Ahmedabad and Madurai. The group has assured clear titled land bank of 1,929 acres, of which 95% is spread across the metro cities. Additionally, the group also has 1,424 acres of SEZ land in Nasik. With its focus on core parts of Mumbai and NCR, such available portion of land bank would tend to complement the current business strategy.

Hi-End Real Estate Project (Indiabulls BLU Estate & Club - Worli):

Of the many ongoing projects, Indiabulls BLU Estate & Club located in Worli, South Mumbai is strategically important for the group. Sprawling over 10 acres of land, it consists of 4 towers with leading amenities. Out of the total 346 flats, 306 flats are already sold and a sizeable revenue has been booked from the sale. The total receipts in FY19 stood at Rs. 2579.56 crore with a PAT (Rs. 786.99 crore) margin of ~30% for the fiscal. Of the 4 towers, they have already received occupation certificates for 3 towers and further expect to receive OC for the 4th tower

by current financial year. The company expects to garner Rs. 1876.7 crore (pending collections from sold units + unsold inventory).

Key Rating Weakness

Susceptibility to cyclicality inherent in the Real Estate sector:

The real estate sector in India is cyclical and is marked by volatile prices and a highly fragmented market structure. The execution of the real estate projects is affected by multiple property laws. The risk is compounded by aggressive timelines for completion. Also, continuous changes in fiscal and monetary measures by the government will cause a variation in interest rates, impacting the demand for homes. Residential real estate sector has remained under pressure due to weak demand, bearish consumer sentiment over the past few years, and the recent liquidity crisis faced by non-banking financial companies/housing finance companies, resulting in increase in leverage and refinancing needs. Demonetisation, RERA, and GST have further impacted demand. Also, the portfolio of IBREL houses many premium residential projects which are susceptible to macro-economic downturns.

High dependence on Customer advances:

Primarily, the group receives its cash-flows from customer collections from its residential properties and from divesting its stake from commercial properties. With the strategy to reduce the total debt to zero, IBREL's future operations would depend largely on the advances received from the customers. Any unexpected deviations from the customer receivables would result in delay in company's commitments and have a contagion effect on its financials. Though, for the particular project; i.e. Indiabulls BLU – Worli, only ~17% of the total saleable area is unsold.

Analytical Approach & Applicable Criteria

Standalone (based on credit enhancement)

Rating Methodology for Real Estate Entities

Financial Ratios & Interpretation (Non-Financial Sector)

Rating Methodology for Structure Debt Transaction (Non-securitisation transaction)

Liquidity

Adequate liquidity characterized by a projected minimum cumulative cash flow cover of 3.01x (IIEL) and moderate cash balance as on March 31, 2019. Supported by the parent's (IBREL) healthy liquidity in the form of cash & bank balances and its liquid investments which may help the company to fund any short term fund requirements.

About the Company

Incorporated in January 2007, Indiabulls Infraestate Limited (IIL) is a wholly owned subsidiary of Indiabulls Real Estate Limited (IREL). Presently, it is engaged into developing a residential township project named as 'Indiabulls BLU Estate & Club' which is spread over 10.00 acres of area in the Southern part of Mumbai. The total saleable area of the launched project is ~14.55 lakh sq. feet and are in discussion of developing another tower adjacent to the existing plot.

Financials

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	19.69	2599.57
EBIDTA	-53.12	1098.48
PAT	-142.65	786.99
Total Debt	939.81	375.00
Tangible Net worth	721.24	1743.75
EBIDTA Margin (%)	-269.74	42.26
PAT Margin (%)	-549.09	39.31
Overall Gearing Ratio (x)	1.30	0.22

*Classification as per Infomerics' standards.

About the Guarantor

Indiabulls Real Estate Limited (IBREL), incorporated on 04th April, 2006, is in the business of real estate project advisory, maintenance of completed projects, engineering, construction and development of real estate properties and other related and ancillary activities. It is a holding company domiciled in India and has 225 subsidiaries as on financial year ended March 31, 2019.

Financials of Guarantor

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	4502.67	4943.89
EBIDTA	3305.53	1039.50
PAT	2359.56	504.32
Total Debt	6774.29	5708.81
Tangible Net worth	3007.44	3365.51
EBIDTA Margin (%)	73.41	21.03
PAT Margin (%)	49.92	9.65
Overall Gearing Ratio (x)	2.25	1.70

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	NCD	Long Term	350.00	IVR AA-(CE)/Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCD	--	Around 11% p.a.	36 Months	350.00	IVR AA-(CE)/Stable Outlook