



## Press Release

### Indiabulls Infraestate Limited (IIL)

October 08<sup>th</sup>, 2020

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating	Rating Action
1.	Proposed Long Term Facility – NCB/NCD	300.00	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Stable Outlook]*	Assigned
	<b>Total</b>	<b>300.00</b>		

*\*CE Rating based on unconditional & irrevocable Corporate Guarantee proposed to be extended by Indiabulls Real Estate Ltd.*

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the above bank facilities of Indiabulls Infraestate Limited derives strength from unconditional and irrevocable corporate guarantee proposed to be extended by Indiabulls Real Estate Limited to the proposed facilities of IIL. This corporate guarantee results in an enhancement in the rating of the said instrument to IVR AA-(CE)/Stable; (IVR Double A Minus [Credit Enhancement] with Stable Outlook) against the unsupported rating of IVR A/Stable (IVR Single A with Stable Outlook)

The rating derives strength from strong parentage, diversified portfolio of projects with presence in multiple cities in India and hi-end real estate project (Indiabulls BLU Estate & Club – Worli). However, the rating strengths are partially offset by growth concerns associated to the real estate sector amid the disruptions due to Covid-19.

#### **Key Rating Sensitivities:**

- **Upward Factor**
  - Significant collection efficiency and sales resulting in strong operational indicators.
  - Improvement in the credit risk profile of the corporate guarantor.
- **Downward Factor**
  - Pressure on bookings and collections resulting in higher than expected debt levels.
  - Deterioration in profitability/working capital management.
  - Deterioration in the credit risk profile of the corporate guarantor.



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### 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 (lsh) 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 availability of sizeable land bank backed by high OC inventory. Mr. Gehlaut is accompanied by Mr. Narendra Gehlaut who also has leadership experience of more than a decade in construction industry and Indian real estate market. IIL shall continue benefiting from its promoters' and management personnel's industry experience.

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

Indiabulls Real Estate Limited (IBREL) 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 5 towers with leading amenities. The key location of project benefits in terms of an easy access to the evolved social infrastructure of the Southern Mumbai. Four of its towers have received OC and have booked a total area of 10.25 lac sq feet out of the total saleable area



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of 14.47 lac sq. feet. The Company expects to garner INR2095.94 Crore (which includes pending collections from sold units + unsold inventory) from 4 of its 5 towers already ready. Pending collections and finished unsold inventory provides cash flow visibility.

### Key Rating Weaknesses

- ***Growing concerns associated to the real estate sector amid the disruptions due to Covid-19:***

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. Cyclicalities in the real estate sector could result in fluctuations in cash inflow and volatility in sales. In contrast, cash outflow, such as for debt servicing, is relatively fixed. The residential real estate sector has remained constrained by subdued demand and bearish consumer sentiment over the past few years. Moreover, IIL has a single project which is located in Mumbai, which exposes it to geographical concentration risk. Any decline in demand could adversely impact sales velocity and collections and, thus, weaken the financial risk profile. Given the high reliance on debt, the pandemic is expected to impact earnings potential of real estate developers like IIL. Also, IIL's inventory is concentrated in premium and luxury segment, which is expected to witness slow sales velocity.

### Analytical Approach:

**Unsupported Rating:** Standalone

**Credit Enhancement (CE) rating:** Assessment of the credit profile of Indiabulls Real Estate Limited, proposed provider of unconditional and irrevocable corporate guarantee corporate guarantee to the bank facilities of IIL.

### Applicable Criteria:

Rating Methodology for Real Estate entities

Financial Ratios & Interpretation (Non-Financial Sector)

### Liquidity: Adequate

Adequate liquidity characterized by a projected minimum cumulative cash flow cover of 4.71x (IIL). Supported by the parent's (IBREL) healthy liquidity in the form of cash & bank



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balances and its liquid investments which may help the company to fund any short term fund requirements, if need be.

### **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 ~21.02 lakh sq. feet. It consists of 5 towers, of which 4 have received its OC, while the 5<sup>th</sup> (Tower E) is in the early stages of construction and is expected to be completed by December 2024.

### **Financials:**

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	2599.57	1416.26
EBIDTA	1098.48	100.31
PAT	786.99	4.91
Total Debt	375.00	1316.95
Tangible Net Worth	1743.75	1303.14
EBITDA Margin (%)	42.26	7.08
PAT Margin (%)	30.24	0.35
Overall Gearing (x)	0.22	1.01

\* 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



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### Financials of Guarantor

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	4943.89	3270.78
EBIDTA	1039.50	800.64
PAT	504.32	121.11
Total Debt	5708.81	2908.97
Tangible Net Worth	3365.51	3231.87
EBITDA Margin (%)	21.03	24.48
PAT Margin (%)	9.65	3.57
Overall Gearing (x)	1.70	0.90

\* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (December 25 <sup>th</sup> , 2019)^	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – NCB/NCD	Long Term	350.00*	IVR AA-/Stable (Credit Enhancement)	IVR AA-/Stable (Credit Enhancement)	--	--
2.	Proposed Long Term Facility – NCB/NCD	Long Term	300.00	IVR AA-/Stable (Credit Enhancement)	--	--	--

\* Outstanding balance amounting to INR233.64 Crore as on September 30<sup>th</sup>, 2020

^[https://www.infomerics.com/db-include/uploads/PR\\_IIL\\_25\\_12\\_2019.pdf](https://www.infomerics.com/db-include/uploads/PR_IIL_25_12_2019.pdf)



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**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](http://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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**Annexure 1: Details of Facilities**

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Facility – NCB/NCD	350.00*	December 2019	10.85%	December 2022	IVR AA-/Stable (Credit Enhancement)



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Proposed Long Term Facility – NCB/NCD	300.00	NA	NA	NA	IVR AA-/Stable (Credit Enhancement)
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*\*Outstanding balance amounting to INR233.64 Crore as on September 30<sup>th</sup>, 2020*