



Press Release

Indiabulls Infraestate Limited (IIL)

December 29th, 2021

Sl. No.	Instrument/Facility	Amount (INR Crore)	Ratings	Rating Action
1.	Long Term Facility – NCBs/NCDs*	144.00 (Reduced from INR 300.00 crore)	IVR AA-(CE);CWDI [IVR Double A Minus (Credit Enhancement) under CWDI]**	Reaffirmed
2.	Proposed Long Term Facility – NCBs/NCDs*	506.00 (Increased from INR 350.00 crore)	IVR AA-(CE);CWDI; [IVR Double A Minus (Credit Enhancement) under CWDI]***	Reaffirmed
	Total	650.00		

CWDI: Credit watch with developing implications

*NCBs/NCDs: Non-Convertible Bonds/ Non-Convertible Debentures.

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

*** 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 of issued/proposed Non-Convertible Bonds/ Non-Convertible Debentures of Indiabulls Infraestate Limited continues to derive strength from unconditional and irrevocable corporate guarantee extended/proposed to be extended by Indiabulls Real Estate Limited (IBREL) to the issued/proposed NCBs/NCDs of IIL. This corporate guarantee results in an enhancement in the rating of the said instrument to IVR AA-(CE) placed on Credit watch with developing implications; (IVR Double A Minus [Credit Enhancement] placed on Credit watch with developing implications) against the unsupported rating of IVR A with Stable Outlook (IVR Single A with Stable Outlook)

Further, the rating continues to take into account strong parentage of IBREL, 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



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the growing concerns associated to the real estate sector amid the disruptions due to ongoing global Covid-19 pandemic, cyclical nature of Industry; subject to regulations and the project's high dependence on customer advances.

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.

Key Rating Drivers with detailed description

Key Rating Strengths

- **Strong Parentage (Indiabulls Real Estate Ltd - IBREL):**

IBREL is a well-diversified group led by its founding chairman Mr. Sameer Gehlaut. It is one of the diversified business conglomerates of the country with business interests across sectors like consumer finance, real estate, infrastructure & construction leasing, pharmaceuticals etc. IBREL would continue benefiting from its management and industry experience. IIL is 100% subsidiary of IBREL and is an SPV formed for development of residential township project named as 'Indiabulls BLU Estate & Club' spread over 12 acres at Worli, Mumbai . 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 availability of sizeable land bank backed by high OC inventory. IIL shall continue benefiting from its promoters' and management personnel's industry experience.



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- **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 and residential spaces. 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 state of art 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. The total area booked in these four towers is ~13.60 lac sq. feet out of the total saleable area of 14.47 lac sq. feet (i.e.93.97%). The Company expects to garner INR 363.42 Crore (which includes pending collections from sold units + unsold inventory) from 4 towers. Also, from FY22 onwards the Company is opening up plans for Tower 5. As regards to project the Company has got increased FSI (Floor Space Index) vide notification of Government of Maharashtra dated 25th June 2021, Urban Development Department, to the extent of ~ 7.3 lac sq. feet. This has led to an increase in the total saleable area of the Project from ~ 21.02 lac sq. feet initially to ~ 28.32 lac sq. feet. Tower five has saleable area of ~ 13.84 lac sq. feet and potential value of INR 5,536.79 Cr. The pending costs to be incurred for the balance construction of entire project is ~ INR 933 crores.

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. Cyclicity in the real



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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. Also, IIL's inventory is concentrated in premium and luxury segment, which is expected to witness slow sales velocity.

- **Cyclical Nature of Industry; Subject to Regulations**

Real estate industry is unorganised, localised and subject to local and central regulations. The Indian real estate industry is highly cyclical with volatile cash flows. The sector is also subject to multiple regulatory approvals; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

- **High Dependence on Customer Advances**

The company primarily depends on advances received from its customers to fund its operations. With the strategy to reduce the total debt to zero, IIL's future operations would depend largely on the advances received from the customers. It must be noted that the Company has already incurred 82% of the total cost of 5 towers and the remaining cost to be incurred are INR 933.00 crs against potential cash flows to be received from current and potential customers is ~ 5900 cr. Besides, the project has shown moderate sales velocity in past 4 quarters ended Sep – 2021.

Analytical Approach:

Unsupported Rating: Standalone

Credit Enhancement (CE) rating: Assessment of the credit profile of Indiabulls Real Estate Limited, provider/proposed provider of unconditional and irrevocable corporate guarantee to the Non-Convertible Bonds/Non-Convertible Debentures of IIL. CE Rating is based on unconditional & irrevocable corporate guarantee extended/proposed to be extended by Indiabulls Real Estate Ltd.



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Applicable Criteria:

Rating Methodology for Real Estate entities

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity of Indiabulls Infraestate is adequate characterized by a projected minimum cumulative cash flow cover of 3.70x (IIL). 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, if need be. Also, the Company has completed ~ 82 % of the total cost and remaining cost is only INR 933.00 crores against expected unsold value of ~ INR 5,886 crores.

About the Company

Incorporated in January 2007, Indiabulls Infraestate Limited (IIL) is a wholly owned subsidiary of Indiabulls Real Estate Limited (IBREL). 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 ~28.31 lakh sq. feet. It consists of 5 towers, of which 4 have received its OC, while the 5th (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)	
	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	1413.22	1320.69
EBIDTA	97.29	213.20
PAT	4.92	150.71
Total Debt	1316.38	196.26
Tangible Net Worth	1303.14	1515.58
EBITDA Margin (%)	6.88	16.14
PAT Margin (%)	0.35	11.38
Overall Gearing (x)	1.01	0.13

* Classification as per Infomerics' standards



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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.

Financials of Guarantor- IBREL (Consolidated)

For the year ended/ As On*	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	3270.78	1521.42
EBIDTA	800.64	179.69
PAT	121.11	4.72
Total Debt	2713.34	1223.2
Tangible Net Worth	3231.16	3290.36
EBITDA Margin (%)	24.48	11.81
PAT Margin (%)	3.52	0.28
Overall Gearing (x)	0.84	0.37

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (November 15 th , 2021)	Date(s) & Rating(s) assigned in 2020-21 (December 30 th , 2020)	Date(s) & Rating(s) assigned in 2020-21 (October 08 th , 2020)	Date(s) & Rating(s) assigned in 2019-20 (December 25 th , 2019)
1.	Long Term Facility – NCD/NCB	Long Term	144.00 (Reduced from INR 300.00 crore)	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Credit Watch with Developing Implications]	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Credit Watch with Developing Implications]	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Stable Outlook]	--	--
2.	Proposed Long Term Facility – Proposed NCD/NCB	Long Term	506.00 (Increased from INR 350.00 crore)	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Credit Watch with Developing Implications]***	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Credit Watch with Developing Implications]***	IVR AA-(CE)/Stable; [IVR Double A Minus (Credit Enhancement) with Stable Outlook]	--	--



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3.	Long Term Facility – NCB/NC D	Long Term	300.00	--	--	Withdrawn	IVR AA-(CE) /Stable (Credit Enhancement)	IVR AA-(CE) /Stable (Credit Enhancement)
4.	Long Term Facility – NCB/NC D	Long Term	350.00	--	--	Withdrawn	--	IVR AA-(CE) /Stable (Credit Enhancement)

Name and Contact Details of the Rating Analyst:

Name: Shashank Joshi	Name: Amit Bhuwania
Tel: (022) 6239 6023	Tel: (022) 6239 6023
Email: shashank.joshi@infomerics.com	Email: abhuwania@infomerics.com

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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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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	Size of Facility (INR Crore)	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Facility – NCBs/NCDs	144.00	INE741X07036	11 th June 2021	11.50%	July 2023	IVR AA-(CE);CWDI [IVR Double A Minus (Credit Enhancement) under CWDI]
Proposed Long Term Facility – NCBs/NCDs	506.00	-	-	-	-	IVR AA-(CE);CWDI; [IVR Double A Minus (Credit Enhancement) under CWDI]

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details (Hyperlink to be added): Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Brief term sheet of NCBs/NCDs for INR 144 crore (ISIN: INE741X07036)

Security Description	Senior, Secured, Non-Cumulative, Redeemable, Taxable, Rated, Listed Securities in the form of Non-Convertible Debentures (the “Debentures” or “NCDs”) issued on private placement
Quantity	3000
Face Value/Paid Up Value [#]	Rs. 4,80,000/-
ISIN	INE741X07036
Date of Allotment	11 th June 2021
Financial Covenants	
Date of Redemption	Tenor upto 25 months from the date of allotment
Rate of Interest	11.50% PA payable per month



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Date(s) of Payment of Interest	Monthly starting from June 30, 2021 and at the end of the tenor along with the Final redemption.
Non-Financial Covenants	
Objective/Purpose of the Issue	Issue proceeds shall be utilized to carry on the businesses of the company, augment funds for medium to long term capital for ordinary course of business and/or general corporate purposes.

Face Value of NCBs/NCDs has reduced from INR 10,00,000 to INR 4,80,000 based on the fact that as the Company redeems the NCBs/NCDs it keeps the number of NCBs/NCDs constant, and reduces the face value to the extent of redemption per NCBs/NCDs.

Brief term sheet of Proposed NCBs/NCDs for INR 506.00 crore

Security Description	Senior, Secured, Non-Cumulative, Redeemable, Taxable, Rated, Listed Securities in the form of Non-Convertible Debentures (the "Debentures" or "NCDs") issued on private placement
Quantity	To be decided
Face Value/Paid Up Value [#]	INR10,00,000/- (Rupees Ten Lacs Only) per instrument
ISIN	-
Date of Allotment	To be decided
Financial Covenants	
Date of Redemption	To be decided
Rate of Interest	To be decided
Date(s) of Payment of Interest	Payable at monthly rests
Non-Financial Covenants	
Objective/Purpose of the Issue	Issue proceeds shall be utilized to carry on the businesses of the company, augment funds for medium to long term capital for ordinary course of business and/or general corporate purposes.

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Non-Convertible Bonds/Non-Convertible Debentures	Simple



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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.