



Press Release

Indiabulls Infraestate Limited (ILL)

Revised Press Release

August 21, 2023

This is with reference to the Press Release dated January 18, 2023. The revised PR stands as follows:

The revised press release added the Adequacy of Credit Enhancement Structure, Transaction Structure & Detailed explanation of covenants of the rated instrument/facilities as per the regulator guidelines.

Link to the press release dated January 18th, 2023 published on Infomerics' website:

<https://www.infomerics.com/admin/uploads/pr-Indiabulls-Infraestate-18jan23.pdf>

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term – Non - Convertible Debentures (INE741X07051)	4.50 (Decreased from 25.00)	IVR A+ (CE)/RWDI (IVR A Plus (Credit Enhancement) Under Rating watch with developing implications)	Revised	Simple
Long Term – Non - Convertible Debentures (INE741X07069)	15.00	IVR A+ (CE)/RWDI (IVR A Plus (Credit Enhancement) Under Rating watch with developing implications)	Revised	Simple
Long Term – Non - Convertible Debentures (INE741X07044)	0.00 (Decreased from 75.00)	-	Withdrawn*	Simple
Long Term – Non - Convertible Debentures (INE741X07036)	0.00 (Decreased from 144.00)	-	Withdrawn*	Simple
Proposed Non – Convertible Debentures	0.00 (Decreased from 406.00)	-	Withdrawn*	Simple
Total	19.50 (INR Nineteen Crores and Fifty Lakhs only)			



Press Release

*Withdrawn on account of full redemption

**Withdrawn as the company has informed that they are not planning to raise the proposed NCDs as envisaged.

Unsupported rating: IVR A/Stable (IVR A with Stable Outlook)

Note: Credit Enhancement (CE) rating is based on unconditional and irrevocable corporate guarantee extended by Indiabulls Real Estate Limited (IBREL) rated at IVR A+/RWDI

Revision in rating of Indiabulls Infraestate Limited is on account of revision in the rating of Credit enhancement provider, i.e., Indiabulls Real Estate Limited.

The rating continues to remain under Rating watch with developing implications, on account of ongoing merger of certain assets of Embassy group with IBREL and its likely impact on the credit risk profile of IBREL. Infomerics will continue to monitor the developments in this regard and will resolve the watch once further clarity emerges on the merger transaction and the actual impact on the overall credit profile of IBREL is ascertained.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the Non-Convertible debentures of IIL was on account of revision in the rating of the credit enhancement provider, Indiabulls Real estate Limited from IVR AA-/RWDI to IVR A+/RWDI.

The ratings of assigned to Non-Convertible Debentures of Indiabulls Infraestate Limited continues to derive strength from unconditional and irrevocable corporate guarantee extended by Indiabulls Real Estate Limited (IBREL) to the issued NCDs of IIL. This corporate guarantee results in an enhancement in the rating of the said instrument to IVR A+(CE) placed on Rating 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



Press Release

(Indiabulls BLU Estate & Club – Worli). However, the rating strengths are partially offset by cyclical nature of Industry, exposure to regulations and high dependence on customer advances.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in collections and sales resulting in strong operational indicators.
- Improvement in the credit risk profile of the credit enhancement provider

Downward Factors

- 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 credit enhancement of provider

Adequacy of Credit Enhancement Structure:

For assigning the rating, Infomerics has assessed the attributes of the guarantee issued by Indiabulls Real Estate Limited (IBREL) in favour of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional and covers the entire amount and tenor of the rated instrument. The support from Corporate Guarantor results in an enhancement in the rating of the said instrument to IVR A+ (CE)* / Rating Watch with Developing Implication against the unsupported rating of IVR A/ Stable.

Transaction Structure:

The Issuer undertakes to have a minimum collection run rate collectively in both NCD Servicing Account (Old Receivables) and NCD Servicing Account (New Sales) as under on a quarterly and cumulative basis as under:

Quarter Ending	Minimum Quarterly Collection Run Rate INR Cr	Minimum Cumulative Collection Run Rate INR Cr
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Press Release

Sep-21	75.00	75.00
Dec-21	125.00	200.00
Mar-22	80.00	280.00
Jun-22	80.00	360.00
Sep-22	60.00	420.00
Dec-22	60.00	480.00
Mar-23	60.00	540.00
Jun-23	55.00	595.00

Incase during quarter the Issuer fails to meet the Minimum Collection Run Rate on a cumulative basis, the Debenture Trustee shall call upon the Issuer/Corporate Guarantor to deposit the Shortfall immediately towards the Minimum Collection Milestone by the Issuer within T-2 Days wherein Quarter end is "T" Day. In case the Issuer/Corporate Guarantor fails to bring the shortfall in the NCD Servicing Accounts, the Debenture Trustee shall call an Event of Default.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong Parentage (IBREL):

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 a availability of sizeable land bank backed by high OC inventory. 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.



Press Release

Under the guidance of strong management, 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 one tower is still under construction. The total area sold in these four towers is ~14.17 lac sq. feet out of the total saleable area of 14.47 lac sq. feet (~98%). The Company expects to garner INR 170.43 Crore (which includes pending collections from sold units + unsold inventory) from 4 completed towers. Also, in near term, the Company plans to launch Tower 5. Tower five has saleable area of ~ 13.84 lac sq. feet and potential value of INR 5537 Crores which provides cash flow/revenue visibility in the near to medium term.

Key Rating Weaknesses

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 99% of the total cost of 4 completed towers.



Press Release

Cyclical Nature of Industry; Subject to Regulations

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. Cyclical nature 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. Also, IIL's inventory is concentrated in premium and luxury segment, which is expected to witness slow sales velocity.

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.

Analytical Approach: Unsupported rating: Standalone

Credit Enhancement (CE) rating: Assessment of the credit profile of Indiabulls Real Estate Limited, 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.

Applicable Criteria:

[Rating Methodology for Real Estate entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

[Criteria on Credit watch](#)



Press Release

[Rating methodology of Structured Debt transaction \(Non-Securitisation Transactions\)](#)

Liquidity – Adequate

The liquidity of Indiabulls Infraestate is adequate as reflected in its cash and bank balances of Rs 54 Crores and current ratio of 4.97x and 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.

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 ~28.32 lakh sq. feet. It consists of 5 towers, of which 4 have received its OC, ~98% of the 4 towers (Tower A to D) has been sold, while the 5th (Tower E) is in the early stages of construction and is expected to be completed by launched by June 2023.

Financials (Standalone):IIL

Rs in Crore

For the year ended*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	1302.69	403.622
EBITDA	213.20	-13.68
PAT	150.71	-31.93
Total debt	196.26	110.68
Tangible Networth	1515.58	1499.36
EBITDA Margin (%)	16.14	-3.39



Press Release

PAT Margin (%)	11.38	-7.88
Overall Gearing Ratio (X)	0.13	0.07

* 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.

Financials (Consolidated):IBREL

Rs in Crore

For the year ended*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	1521.42	1444.78
EBITDA	179.69	-1.49
PAT	4.72	-137.29
Total debt	1223.20	1328.91
Tangible Networth	3290.36	3320.66
EBITDA Margin (%)	11.81	-0.10
PAT Margin (%)	0.28	-8.91
Overall Gearing Ratio (X)	0.37	0.40

* Classification as per Infomerics' standards

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



Press Release

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years						
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Non-Convertible Debentures	Long Term	19.50 (Reduced from 204.00)	IVR A+(CE)/RWDI	IVR AA-(CE)/RW DI 6 Jun 2022	IVR AA-(CE)/RW DI 7 Feb 2022	IVR AA-(CE)/RW DI 29 Dec 2021	IVR AA-(CE)/RWDI 15 Nov 2021	Nil 30 Dec 2020	Nil 08 Oct 2020	Nil 25 Dec 2021
2.	Propose Non-Convertible Debentures	Long Term	- (Reduced from Rs 406.00)	Withdrawn	IVR AA-(CE)/RW DI	IVR AA-(CE)/RW DI	IVR AA-(CE)/RW DI	IVR AA-(CE)/RWDI	Nil	Nil	Nil
3.	Non-Convertible Debentures	Long Term	-	-	-	-	-	-	Withdrawn	IVR AA-(CE)/RWDI	IVR AA-(CE)/RWDI
4.	Non-Convertible Debentures	Long Term	-	-	-	-	-	-	Withdrawn	IVR AA-(CE)/RWDI	IVR AA-(CE)/RWDI
	Total		19.50								

Name and Contact Details of the Rating Analyst:

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Press Release

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by 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/ Instrument	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Non-Convertible Debentures	INE741X07051	March 25, 2022	11.50%	July 11, 2023	4.50	IVR A+(CE)/RWDI



Press Release

Non-Convertible Debentures	INE741X 07069	July 11, 2022	11.50%	July 11, 2023	15.00	IVR A+(CE)/RWDI
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Not Applicable

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

Name of the Instrument		Detailed Explanation
Financial Covenant		
i.	Borrower level Financial Covenants	<ul style="list-style-type: none"> Minimum DSCR to be maintained of 1.1x and Average DSCR to be maintained of 1.1x basis the gross collections on an aggregate basis both from the Sold Units and Unsold Inventory. Minimum Security cover of 2.00x to be maintained throughout the tenure of the NCDs as defined below. Security cover shall be computed as ratio of (a) is to (b) below: <ul style="list-style-type: none"> a) Market Value of the Security Area b) Outstanding Amount minus balance in the NCD Servicing Account (Sold Receivables), NCD Servicing Account (New Sales), Master Collections account. RERA accounts, ISRA. Any permitted investments, etc. <p>Debenture Trustee shall appoint an Independent Valuer as per the requisite guidelines for submission of the Valuation Report on an Annual Basis starting from 1st June 2022.</p>
ii.	Corporate Guarantor Financial Covenants	<ul style="list-style-type: none"> Net Debt to Equity of Corporate Guarantor shall be < 4
Non-financial Covenant		
i.	Rating related Covenants	<p>In case the Rating of the Instrument is downgraded, the Coupon will be stepped up by 25 bps for each notch of such downgrade and such revised coupon shall be applicable for the period such downgrade continues. The coupon would be reduced by 25 basis points for each notch of subsequent upgrade such that the coupon shall not at any time be less than the coupon rate on the deemed date of allotment.</p> <p>In case the Rating of the Instrument and/ or the rating of the Guarantor is downgraded by 3 (three) notches from the respective outstanding rating at the Deemed Date of Allotment, then the investors will have an option to ask for Accelerated Redemption of the Debentures. In case the Debenture Holders exercise this right, then Issuer shall have to pay the outstanding</p>



Press Release

Name of the Instrument		Detailed Explanation
		<p>amount along with accrued interest within 60 days from such notice.</p> <p>In the case of ratings from multiple agencies, the lowest rating shall be considered for both increase in Coupon in case of Downgrades and Acceleration in Redemption in case of 3 (three) notch downgrade.</p>
ii	Information Covenant	<p>Issuer shall provide the following information to the Debenture Trustee</p> <ol style="list-style-type: none"> 1. Quarterly Sales report and Collection report within 60 days from end of each quarter 2. Monthly Bank Statement of Project Master Collection Account and NCD Servicing Accounts both Old Receivables and New Sales within 3 working days from end of each month 3. Monthly Details of the Conditional NOC for Sale taken from the Debenture Trustee within 3 working days from the end of each month. 4. Details of Permitted Expenditure made in each quarter within 60 days from end of each quarter 5. Audited financials within 180 days from end of each financial year 6. Unaudited/ Provisional financials (including Cash Flow Statement) within 60 days from end of each quarter <p>List of all Litigations within 7 days from end of each half year</p>
iii	Negative Covenants	<ul style="list-style-type: none"> • Issuer cannot avail any further financial indebtedness on the Issuer Company throughout the tenor, without prior approval from Debenture Trustee. The Debenture Trustee shall seek approval of 2/3rd Debenture Holders prior to issuance of such NOC for further indebtedness by the Issuer. • Restrictions on any dividends/share-buyback/capital reduction or any other form of cash out from the Issuer if any Event of Default has occurred and is continuing, • Restrictions on payment of intercompany debt either from the Parent or any group company of the Guarantor if any Event of Default has occurred and is continuing. • Change of Control of the Issuer not permitted without prior approval of Debenture Trustee • Sponsor shall provide a Non-Disposal Undertaking (NDU) for their shareholding. <p>Sponsor shall undertake to not create any pledge/ encumbrance on its shareholding in the Issuer.</p>
iv	Guarantor Covenant	<p>In case Merger Event herein above defined doesn't consummate, the Issuer and the Corporate Guarantor undertake that the same shall not result any Material Adverse Effect on the Issuer and/or</p>



Press Release

Name of the Instrument	Detailed Explanation
	the Corporate Guarantor. In case the Merger Event doesn't consummate and it results into Material Adverse Effect on the Issuer and/or Corporate Guarantor, the Debenture Trustee shall have an Option to Accelerated Payment of the NCDs subject to 2/3rd majority of the Debenture holders in favor of such Acceleration.

Brief term sheet of NCBs/NCDs for INR 25 crore (Current Outstanding INR 4.50 crore) (ISIN: INE741X07051)

Security Description	Senior, Secured, Non-Cumulative, Redeemable, Taxable, Rated, Listed Securities in the form of Non-Convertible Debentures (the "Debentures" or "NCDs")
Quantity	250
Face Value/Paid Up Value [#]	INR 3,40,000
ISIN	INE741X07051
Date of Allotment	March 25, 2022
Financial Covenants	
Date of Redemption	July 11, 2023
Rate of Interest	11.50 % PA payable per month
Date(s) of Payment of Interest	Monthly starting from March 31, 2022 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 towards general corporate purpose.

[#] Face Value of NCBs/NCDs has reduced from INR 5,60,000 to INR 3,40,000 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 NCBs/NCDs for INR 50 crore (Current Outstanding INR 15.00 crore) (ISIN: INE741X07069)

Security Description	Senior, Secured, Non-Cumulative, Redeemable, Taxable, Rated, Listed Securities in the form of Non-Convertible Debentures (the "Debentures" or "NCDs")
Quantity	500
Face Value/Paid Up Value [#]	INR 4,80,000
ISIN	INE741X07069
Date of Allotment	July 11, 2022



Press Release

Financial Covenants	
Date of Redemption	July 11, 2023
Rate of Interest	11.50 % PA payable per month
Date(s) of Payment of Interest	Monthly starting from July 29, 2022 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 towards general corporate purpose.

Face Value of NCBs/NCDs has reduced from INR 7,00,000 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.

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.