

Press Release

Bharat Infrastructure And Engineering Private Limited

September 17, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 383.34 Cr.
Total Bank Facilities Rated	Rs.305.21
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3
Total Non-Convertible Debenture	Rs.78.13
Long Term Rating (Non-Convertible Debenture)	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 305.21 crore bank facilities of Bharat Infrastructure and Engineering Private Limited (BIPL). Further, Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to Rs.78.13 crore Non- Convertible Debentures. The outlook is '**Stable**'.

Bharat Infrastructure & Engineering Private Limited (BIPL), based in Mumbai, has been in the Infrastructure and Development Industry since 1977. Bharat is an ISO 14001:2009, ISO 9001:2008 and OHSAS 18001:2007 certified company. It was founded by Late Shri Ambalal P. Barot. The company is one of the prominent developer of real estate in Western Suburbs in Mumbai. The company has developed residential and commercial premises solely, redeveloped jointly and on out right over the last four decades. BIPL has 4 ongoing projects with a total saleable carpet area of 4.81 lakh sq. ft of total area under construction. The projects include Sky Vistas (Tower B) in Andheri (West), Juhu Vikrant in JVPD scheme, Asbury Park in Kandivali (W) and Ecovistas near Shil phata, Mahape in Navi Mumbai.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the BIPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and establish track record**

The company has operational track record, since 1977, and has established its market presence in developing residential and commercial premises solely, redeveloped jointly or out right over the last four decades. The key promoter, Mr. Atul Barot, possesses over four decade of experience and his son, Mr. Dhaval Barot, possesses over a decade of experience in in same line of business. BIPL has developed over 32 lakh sq. ft. of constructed area, comprising both commercial as well as residential premises. The company has developed mostly premium housing projects mainly between Juhu and Borivali and Chembur, the up-market of western and central suburbs of Mumbai where there has always been high demand for residential projects.

Acuité believes that the group's established track record of successful project execution and brand presence along with financial backing from promoter will continue to support its business risk profile over near to medium term.

Weaknesses

- **Moderate salability and execution risk**

BIPL is undertaking four projects with a total saleable carpet area of 4.81 lakh sq. ft of total area under construction. The total cost of these projects is Rs. 1068.53 crore of which Rs.733.89 crore ~68.68 percent cost has been incurred as on June 2019. The ongoing projects undertaken by the group

includes SkyVistas (Tower B) in Andheri (West), which has been 77.38 per cent completed and 47.00 per cent sold; Juhu Vikrant in JVPD scheme, which has been 16.00 per cent completed and 10.00 per cent sold; Asbury Park in Kandivali (W), which has been 56.30 per cent completed and 7.00 per cent sold; and Ecovistas project near Shil phata, Mahape in Navi Mumbai), which has been 75.00 per cent completed and 59.00 per cent sold as on June 2019. It can be observed that the salability has remained moderate across the projects viz. the pace of construction. Further, some of the projects are at initial stage of construction for which timely execution risk persist. The traction in receipt of customer advances is dependent on project completion. Any delay in project execution due to piling of unsold inventory or sluggish demand in real estate sector will have significant impact on cash inflow from the projects impacting overall execution. Therefore, Acuité believes that the BIPL's ability to execute the projects as per schedule and achieve sales will remain key rating sensitivity. However, funding risk for the projects remains minimal due to financial closure in place for projects and promoters being resourceful in bringing their own funds in timely manner.

- **Project Risk**

Myrayash Hotels Private Limited (100 per cent subsidiary of BIPL) is setting up a Five Star Hotel cum resort Project in Goa, for which BIPL has provided corporate guarantee. The proposed project will be executed using tie-up with Alila (Brand Hyatt group of hotels) with a capacity of 180 rooms and will cost around Rs. 300.00 crore. The funding of the project will be done by Rs.170.00 crore debt and Rs.130.00 crore contribution from BIPL and Promoters. The project is estimated to begin from FY2025 and approvals are expected to be received till December 2019. The promoters have already infused Rs.50.00 crore, till September 2019, and funded loan will be for 12 years with 3 years' moratorium for the project. Further, any delays or cost overrun due to delay in approvals, funding will have adverse impact on the overall financial and liquidity profile of BIPL. Acuité believes that timely execution of the project with necessary approvals and funding will remain key deliverable going forward.

- **Cyclicalities associated with real estate sector and regulatory risk**

BIPL is associated with cyclicalities in real estate sector, which is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. Further, current scenario in real estate sector is marked by large amounts of unsold inventory and high borrowing costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth and more dependence on own funds. The sector is also exposed to regulatory risk which may impact players like BIPL, thereby impacting its operating capabilities.

Liquidity Position

The liquidity position of Bharat Group is adequate marked by moderate accruals and flow of receivables from the project sales to meet repayment obligation. The company has financed the projects by promoter's infusion of ~Rs. 230.53 crore, bank loan of Rs. 293.02 crore and remaining is from customer advances of Rs. 209.81 crore and Rs.4.90 crore of Cash and Bank Balance as on June 2019. Further, Rs. 110.00 crore of loan is expected to be disbursed and promoters are likely to infuse Rs.10 crore to 15.00 crore for the pending execution of the projects. Thus, the servicing of debt obligation is highly dependent on adequate booking levels with sufficient customer advances to generate positive cash flows.

Outlook: Stable

Acuité believes that BIPL will maintain 'Stable' business and financial risk profile in the medium term on the back of experienced management and established presence of the group in the real estate industry. The outlook may be revised to 'Positive' if the company generates steady cash flows from customer advances and able to meet desired sales as per schedule. Conversely, the outlook may be revised to 'Negative' in case of stretch in the BIPL's liquidity position on account of delays in project execution or lower than expected sales traction towards these projects.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	231.96	147.89	101.26
EBITDA	Rs. Cr.	20.45	15.03	6.38
PAT	Rs. Cr.	13.91	10.17	4.25
EBITDA Margin	(%)	8.82	10.16	6.30
PAT Margin	(%)	6.00	6.87	4.20
ROCE	(%)	5.35	4.73	4.66
Total Debt/Tangible Net Worth	Times	2.20	1.54	1.36
PBDIT/Interest	Times	19.84	19.33	9.06
Total Debt/PBDIT	Times	13.17	12.05	19.81
Gross Current Assets (Days)	Days	672	1137	1666

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Real Estate Entities-<https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	37.50	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	37.50	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	143.98	ACUITE BBB- / Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	8.73	ACUITE BBB- / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3
Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	78.13	ACUITE BBB- / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-49294032 rupesh.patel@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.