

Press Release

BPTP Limited

April 12, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 911.59 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A2 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB**' (**read as ACUITE Triple B**) and short-term rating of '**ACUITE A2**' (**read as ACUITE A Two**) on the Rs.911.59 Cr bank facilities of BPTP Limited (BPTP). The outlook is '**Stable**'.

About the Company

BPTP Limited (BPTP) was incorporated in 2003 by Mr. Kabul Chawla in Faridabad (Haryana). BPTP (Business park town planners) is one of the largest real estate developer in terms of units delivered in the National Capital Region (NCR) and is engaged in development of real estate with presence in verticals like Residential, Commercial projects ranging from Integrated Township, Group Housing, Low Rise plotted development, Villas, Retail, Office Space, Cyber Parks and plotted land. BPTP is presently developing 16 residential projects across Faridabad and Gurugram and 1 commercial project in Noida. The total saleable area of the aforesaid residential projects is ~136.34 lakh square feet with a total project cost of ~ Rs.2,300 Cr to construct ~9,300 units. (of this many have already been delivered). Further, Company is undertaking several plotted development projects which are in various stage of completion.

Please refer Annexure 1 – List of on-going projects (Residential and Commercial)

The rating reflects extensive experience of the promoters in the real estate sector and established regional brand presence, demonstrated track record of project execution, improving market position, healthy business risk profile reflected through diversified cash flow streams and large unencumbered land bank. These rating strengths are partly offset by high geographical concentration risk, inherent cyclical nature of the real estate sector amidst further worsened by COVID-19 pandemic and exposure to high risk commercial real estate projects.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of BPTP to arrive at the rating.

Key Rating Drivers

Strengths

- Promoter's industry experience and established regional brand presence**

BPTP was incorporated in 2003 with the main objective of developing real estate in verticals of Residential, Commercial projects ranging from Integrated Township, Group Housing, Retail, Office Space and Cyber Parks by Mr. Kabul Chawla, who has more than 2 decades of experience in the real estate industry. Mr. Kabul Chawla is a first generation entrepreneur and started his own business of development of real estate in the year 1994. Since inception, the company has acquired more than 2,500 acres of land bank primarily in Faridabad, Gurgaon and Noida. Nearly entire land bank of the company falls in approved Zones (Residential, Commercial, IT, SEZ) which strengthens the company to keep supply of realty inventory extant as per demand in the market. Since inception, on a consolidated basis, BPTP has developed/under development more than 43 million square feet of saleable area (Group Housing apartments, Low Rise,

plotted development, Villas, plots, Commercial Spaces etc.) in NCR, primarily in Faridabad and Gurgaon. The Company has achieved sales value of more than Rs.11,000 Cr over the years and has delivered more than 18,000 units; of which more than 8,400 units have been delivered over last 5 years which is one of the highest in NCR region. BPTP has a diversified portfolio of contemporary commercial, residential, and retail developments, wherein each project is defined by its unique architecture, design, aesthetics and infrastructure. BPTP has not only offers viable realty with its mega township Parklands in Faridabad but has also forayed in luxury housing with various projects across the NCR. Acuité believes that promoters' extensive industry experience and leveraging of its brand equity will lead to lower implementation and demand risk associated with on-going and upcoming projects over the medium term.

- **Demonstrated track record of project execution capabilities; rebounded since 2019**

BPTP has successfully completed 14 projects (excluding plotted) (11 - low rise and group housing projects and 3 - commercial projects) in the past covering a cumulative area of ~102.12 lakh square feet with a project cost of approx. Rs.1,829 Cr by constructing 6,329 units. Only 3 percent (190) of units are yet to be booked out of 6,329 units of the completed projects. These mainly pertain to the towers/phases which were launched at the last leg of the projects. Entire construction cost has been incurred except a minimal amount which will be incurred before a unit is delivered to customer for finishing purpose. In receivable terms, 5 percent of the total sales value is yet to be received from unsold inventory. The 6 percent of receivables from sold inventory is gradually being received. Around 98 percent of construction is incurred as on January 2021 vis-à-vis 96 percent as on March 2020 which depicts steady demand for the unsold inventory of the completed projects as well. The successful completion and receipt of customer advances with moderate reliance on debt in past projects shows management's conviction in continuously executing larger scale projects. Additionally, it has 16 on-going residential projects with saleable area of ~136.34 lakh sq ft across Faridabad and Gurugram which comprises of low rise and group housing projects along with a commercial real estate project in Noida and plotted land developments across NCR (in which many units have already been delivered).

BPTP which had delivered 10,000 units by 2012 since inception, was then a leading player in NCR in terms of highest units being delivered. Until 2012, BPTP had witnessed several PE investments of which exit was planned through IPO; given market headwinds and stress on exit of investors, Company got derailed from 2012 till 2016 in terms of delivery of projects.

By 2016, BPTP successfully gave exit to all PE investors at various levels in the group by paying ~Rs.1,200 Cr. The above also led to certain allegations from buyers for delayed deliverable of their units, thereby raising customer associated risks in its business risk profile. Post the exit, BPTP with support from multiple lenders raised external debt of ~ Rs.1,300-1,400 Cr to complete its on-going projects and rebounded back by launching few plotted development projects in Faridabad which received massive response; providing the management a conviction of still leveraging on its brand equity. BPTP has received occupation certificates for majority of its on-going projects and delivered more than 2,500 units since Jan 2019 to till date; emanating BPTP as a prominent player in NCR in terms of highest units delivered. Acuité believes that the completion of such sizeable projects, since inception, displays reasonably good execution capabilities and BPTP's entrenched brand equity in the NCR market.

- **Strong enterprise value backed by huge unencumbered land bank; diversified streams of cash inflows**

BPTP has diverse streams of cash inflows with presence in residential, commercial, plotted land developments and outright land sale. These are further fragmented into retail, office spaces, shops, group housing, low rises, townships and others. With presence in variegated real estate segments, BPTP can hinge on multiple sources of cash inflows. Besides, BPTP at present reigns on a strong enterprise value of approx. Rs.10,000 Cr; backed majorly by its huge unencumbered land bank acquired at competitive price a decade ago. Such enterprise value is determined by unsold inventory in hand (group housing, low rise and plotted land) together valued at more than ~Rs.3,000 Cr, receivable from sold inventory valued at ~Rs.1,100 Cr, commercial asset in Noida valued at more than Rs.1,000 Cr, planned launches in commercial assets of Rs.500 Cr, receivables from sold land deals valued of ~ Rs.200 Cr, receivables from planned land sale valued at Rs.315 Cr and huge unencumbered land bank of around 500 acres valued at Rs.5,000 Cr (valued as land and not development potential). Acuité believes that strong enterprise value will assist the company in generating smoother cash inflows and diversified revenue streams will aid the company to overcome segmental concentration risks over the medium term.

- Moderate project risk associated with on-going projects (except commercial projects); adequate sources of cash inflow over the medium term**

BPTP is presently developing 16 residential projects across Faridabad and Gurugram and 1 commercial project in Noida (and few plotted developments). The total saleable area of the aforesaid residential projects is ~136.34 lakh square feet with a total project cost of ~Rs.2,300 Cr to construct ~9,300 units. These projects have been funded through a fair mix of debt, equity and customer advances. Regardless, the reliance on debt has been moderate (=<50-60 percent of the aggregate project cost). Cumulatively, BPTP has completed 87 percent of construction and incurred more than Rs.2,000 Cr as on January 31, 2021. The number of flats booked were ~8,500 units as on the same period taking booking status at 85 per cent vis-à-vis customer advances received as a percentage of total sales value at 70 per cent. These projects have receivables from sold inventory of more than Rs.550 Cr (14 percent of total sales value and from unsold inventory of ~Rs.700 Cr (16 percent of total sales value); total receivables amount to more than Rs.1,250 Cr as on January 31, 2021. Entire debt had been drawn down and equity had been infused long back as the projects are in the last leg of completion. Decent bookings via-a-vis construction indicates moderate implementation and demand risk with low funding risk for the residential projects.

Under plotted land development sales, BPTP has 8 projects in hand with total saleable area of ~22.74 lakh sq yard to develop ~7,750 plots by incurring total project cost of ~Rs.425 Cr. The company has incurred 79 percent of cost until January 31, 2021 and sold 6,741 plots (85 percent of plots booked). Total sales value of the plots is ~Rs.3,300 Cr; of which ~Rs.1,100 Cr of customer advances is to be received from unsold inventory and ~Rs.250 Cr from sold inventory (total 43 percent of sales value is to be received). The aforesaid projects have been developed with moderate reliance on debt. The company further has planned sales of ~1,200 plots covering sales area of 2.14 lakh sq yard against a project cost of ~Rs.80 Cr. BPTP has on-going/planned land deals valued at ~Rs.435.56 Cr (against agreement to sell). The company has received ~Rs.320 Cr till date and balance of ~Rs.175 Cr. It has planned sales valued at Rs.315 Cr for near term.

Moreover, the company on an average received customer advances in the range of Rs.35-40 Cr or even higher on a monthly basis. Acuité believes that the project status of the above-stated projects exhibits an assured source of cash inflow for the medium term. Additionally, with decent portion of construction and bookings in place, the company has moderate project risk associated with on-going plotted development projects. Acuite believes that the project risk will remain high though w.r.t. the upcoming residential projects (mostly last phases of the on-going projects).

Weaknesses

- High geographical concentration risk in revenue profile and customer related risk associated with on-going projects**

BPTP's on-going projects are in NCR majorly in Faridabad, Gurugram and Noida; it has no plans to diversify in the medium term. Acuité believes that BPTP would remain geographically concentrated until the start-up and successful completion of any project and receipt of healthy customer advances through the sale of entire units in any other region in future. Furthermore, BPTP would continue to remain exposed to intense competition from larger players in NCR like Residential/Group Housing (DLF), Emmar Properties, Omaxe Limited, M3M India, ATS Infrastructure Limited (ATS) amongst others. Moreover, BPTP holds high customer related risks w.r.t. its on-going projects due to delay in receipt of occupancy certificates for the projects which were launched long back and w.r.t. delay in construction activities in few projects. This risk emanated from the past events to give an exit to the PE investors.

- High demand risk associated with the commercial project**

BPTP has a single on-going commercial project in Noida – Capital City which is to be built in phases. Phase I has been completed on a 7 lakh sq ft area with project cost of ~Rs.300 Cr. The project was majorly funded through bank debt. The project has been launched recently and the company is undergoing office leasing discussions with its prospective tenants. The demand risk is high w.r.t. this project as major portion is yet to be leased; albeit implementation and funding risk remains moderate. Acuité believes that timely leasing of its office premises vis-à-vis availing of lease rental discounting loan (LRD) and making its bullet repayment to remain key monitorable over the medium term.

- Inherent cyclical in Real Estate Sector and adverse impact of Covid-19 on BPTP's operations in H1FY2021**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region-specific presence. The risks associated with the real estate industry are cyclical in nature

of business with drop in property prices and interest rate risk, among others, which could affect the operations. The current market scenario of COVID-19 has impacted the completion of real estate developer's ongoing projects as, project sites are shut, migration of labour back to their hometowns, unavailability of raw materials, lower demand and falling prices. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. Like-wise BPTP, has also been adversely impacted by the Covid-19 pandemic leading to low cash inflows in H2FY2021. Due to the pandemic, the work was stalled in the month of April, 2020. Post-April, 2020, with non-availability of sufficient labour and raw materials, the construction progress remained low until June, 2020. BPTP continued to receive healthy customer advances (from both plotted land and residential and commercial projects) at an average of Rs.35-40 Cr on monthly basis in FY2020. Howbeit, on account of Covid, customer advances in H1FY2021 were lower by 20 percent at Rs.145.95 Cr vis-a-vis Rs.181.35 Cr in H1FY2020. This was owing to lower customer advances in Q1FY2021. Q1FY2021 was lower by 57 percent in terms of collections at Rs.46.96 Cr vs Rs.73.70 Cr in same period of last year. Q2FY2021 onwards, BPTP bounced back to historical level of Rs.35 Cr on average basis per month. In FY2021, the customer advances are expected to be lower by 12-15 percent as until December 2020, the company's customer advances have been 14 percent lower Y-o-Y at Rs.261.46 Cr against Rs.305 Cr. During the period April'20 to December'20, construction of residential projects improved from 82 percent as on March 31, 2020 to 87 percent as on December 31 2020 wherein BPTP incurred cost of Rs.104 Cr. Acuité believes that the consequences arising amid pandemic might act as a barrier for BPTP in leveraging on its brand equity and strategic location in the near to medium term.

Liquidity Position: Adequate

BPTP's liquidity is marked by a secured payment mechanism with Escrow account in all projects, presence of waterfall mechanism (few projects), Debt service coverage account (DSRA) for 1-3 months of interest and principal, term loan covered upto next 1 year through receipt of customer advances as per the prescribed sweep ratio (30 percent); albeit constrained by moderate DSCR expected until FY2023. Moderate metrics on construction, customer advances and sales against majority of debt availed is expected to lead to DSCR of 1.6 times in base case scenario and 1.36 times in stress case scenario. BPTP is mainly dependent on customer advances for its project funding and debt repayment. BPTP has quasi equity of Rs.174.22 Cr bought in by promoters as on March 31, 2020 which is expected to remain in the business over the medium term.

Rating Sensitivities

- Timely completion of construction or timely realization of customer advances pending from sold inventory
- Timely sale of the unsold inventory and realization of its customer advances
- Sharp decline in cash flow, by slackened salability of project or further delays in project execution leading to high customer risk and cash flow mismatch
- Weakening of the financial risk profile and liquidity due to higher-than-expected borrowing
- Timely tie-up with the prospective tenants for the commercial projects to ensure smoother cash flows and repayment of the bullet installment

Outlook: Stable

Acuité believes that the BPTP will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and established brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers or promoter fund support resulting in adequate cash flows. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1,104.83	1,494.40
PAT	Rs. Cr.	114.81	52.64
PAT Margin	(%)	10.39	3.52
Total Debt/Tangible Net Worth	Times	0.69	0.71
PBDIT/Interest	Times	2.74	1.33

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

BPTP's rating was downgraded and migrated to 'ISSUER NON COOPERATING" status with Brickwork Ratings, through its rating rationale dated April 07, 2021. The reason provided by Brickwork Ratings is non-furnishing of information by BPTP.

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

Annexure 1 – List of On-going projects (Residential and Commercial)

Sr. no.	Project Name	Location	Project Type
1	Park Elite Floors	Faridabad	Residential/Low Rise
2	Park - 81, Parklands	Faridabad	Residential/Low Rise
3	Parklands Pride Floors	Faridabad	Residential/Low Rise
4	New Elite Floors	Faridabad	Residential/Low Rise
5	Astaire Gardens	Gurugram	Residential/Low Rise
6	Discovery Park	Faridabad	Residential/Group Housing
7	Park Elite Premium	Faridabad	Residential/Group Housing
8	Amstoria	Gurugram	Residential/Low Rise
9	Pedestal@70 A	Gurugram	Residential/Low Rise
10	Visionnaire	Gurugram	Residential/Low Rise
11	Pedestal@70 A-Native	Gurugram	Residential/Low Rise
12	Visionnaire-Native	Gurugram	Residential/Low Rise
13	Villas	Faridabad	Residential/Low Rise
14	The Deck	Faridabad	Residential/Group Housing
15	Park Central	Faridabad	Residential/Group Housing
16	Terra	Gurugram	Residential/Group Housing

17	Capital City	Noida	Commercial
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***Annexure 2 – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue(Rs. Cr.)	Ratings/Outlook
Term Loan I	21-Dec-2016	9.70%	March 2021	25.70	ACUITE BBB/Stable (Assigned)
Term Loan II	21-Dec-2016	9.70%	March 2021	17.72	ACUITE BBB/Stable (Assigned)
Term Loan III	21-Sep-2017	9.70%	September 2021	283.00	ACUITE BBB/Stable (Assigned)
Term Loan IV	21-Sep-2017	9.70%	September 2022	55.37	ACUITE BBB/Stable (Assigned)
Term Loan V	21-Sep-2017	9.70%	September 2021	23.89	ACUITE BBB/Stable (Assigned)
Term Loan VI	21-Sep-2017	9.70%	September 2021	96.50	ACUITE BBB/Stable (Assigned)
Term Loan VII	29-Dec-2017	10-10.50%	February 2024	114.19	ACUITE BBB/Stable (Assigned)
Term Loan VIII	30-Mar-2019	10-10.50%	February 2024	39.10	ACUITE BBB/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.62	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	21.98	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.05	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.57	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.42	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.48	ACUITE A2 (Assigned)

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About Acuité Ratings & Research:

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