

Press Release

Bengal Ambuja Housing Development Limited

December 23, 2021



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB Stable Assigned	
Total	100.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) to the Rs. 100.00 Cr bank facilities of Bengal Ambuja Housing Development Limited (BAHDL). The outlook is '**Stable**'.

The rating assigned to BAHDL takes into account the long experience of the Ambuja-Neotia group in the real estate segment, favorable location and the willingness of the promoter to support the business through regular infusion of funds largely in the form of unsecured loans. These strengths are however, partly offset by the below average financial risk profile of the company, risk of project execution and exposure to the risks in the real estate industry.

About the Company

Incorporated in 1993, Bengal Ambuja Housing Development Limited (BAHDL) is a joint venture between West Bengal Housing Board (WBHB) and Ambuja Housing & Urban Infrastructure Company Ltd (AHUICL) with equal equity stake by WBHB & AHUICL. The objective of the company is to support the state run Housing Board to anticipate the housing market in West Bengal.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of BAHDL to arrive at the rating. While arriving at the rating of BAHDL, Acuite has also taken into account a strong level of support from the Ambuja-Neotia group given that Ambuja Neotia Holdings Pvt Ltd (ANHPL) has a significant stake in BAHDL, indirectly through AHUICL.

Key Rating Drivers

Strengths

• Experienced management

The Ambuja-Neotia group has a long operational track record in the real estate industry of around three decades. In addition to this, the promoter is highly experienced and actively involved in the operations of the company. Acuite believes that the long operational track record of the group and promoters' extensive understanding and expertise will support the company's growth plans going forward.

• Financial flexibility of the Ambuja-Neotia group

The Ambuja-Neotia Group has been promoted by the Neotia Family, which has been an integral part of the business community in Kolkata for nearly 125 years. The group through its various Joint Venture Companies and Special Purpose Vehicles (SPVs) has been engaged in development of Real Estate properties, both housing and commercial complexes and in the Hospitality business. The group has executed more than 22 million square feet of development comprising of residential, commercial and hospitality projects through its various

joint ventures and subsidiary companies over a period of the last 30 years and has established its brand which is widely recognized in the region. The group has also ventured into the states of Sikkim, Bihar, Punjab, Chhattisgarh and Maharashtra for undertaking various types of real estate and hospitality projects. The group has strong financial risk profile with a willingness to support their businesses, demonstrated from the continuous infusion of unsecured loans and equity funds into BAHDL. Acuité believes that BAHDL, being a strategically important entity for the group shall continue to benefit from the financial, operational and management support from the Ambuja-Neotia Group as and when required. The parent company Ambuja Neotia Holdings Pvt Ltd (ANHPL) holds upto 50 per cent indirectly in BAHDL which imparts further comfort to the rating. Any changes in the ownership pattern of BAHDL or any event that impinges the group's overall credit profile shall remain a key rating sensitivity.

• **Locational advantage**

The proposed residential project "Ecospace Residencia" has a locational advantage, as it is located at Rajarhat, Kolkata near the IT-hub of the city and is surrounded by affluent residential colonies. The close proximity of airport will help in attracting customers. The business park, "Utsav Park" located at Dhulagarh, Kolkata which also has a close proximity from the IT-hub of the city. Various infrastructure facilities such as power, water telecommunication are also easily available in both the areas. Further, labors both skilled and unskilled are abundantly available from surrounding areas.

Weaknesses

• **Constrained financial risk profile**

The company's constrained financial risk profile is marked by modest networth, high gearing and weak debt protection metrics. The tangible net worth of the group decreased to Rs.49.77 Cr as on March 31, 2021 from Rs.60.85 Cr as on March 31, 2020 on account of losses incurred in FY2021. Gearing of the company stood high at 3.10 times as on March 31, 2021 as against 2.38 times as on March 31, 2020. The debt of Rs.154.35 Cr consists of unsecured loan of Rs.103.94 Cr, term loan of Rs. 29.71 Cr, working capital loan of Rs.8.46 Cr and current maturity of term loan of Rs.12.23 Cr as on March 31, 2021. The weak debt protection metrics of the company is marked by Debt Service Coverage Ratio at 0.24 times and Interest Service Coverage Ratio (ICR) at 0.43 times as on March 31, 2021. Acuité believes of the company that financial risk profile is expected to be improving over the medium term.

• **Exposure to the risks in the Real Estate Industry**

The company is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to reduce prices.

Rating Sensitivities

- Timely receipt of customer advances
- Improvement in financial risk profile
- Scheduled completion of project

Material covenants

None

Liquidity Position: Stretched

The Ambuja-Neotia group has provided fund to the company from time to time as required; which provides financial flexibility to the company. The net cash accruals is expected to be Rs. 20-25 Cr in FY2024-25 against yearly debt obligation of Rs. 15-20 Cr, over the medium term. The cash and bank balances of the company stood at Rs.14.77 Cr in FY2021 and are expected to increase gradually as the business commences operations in the medium term. The current ratio stood comfortable at 2.04 as on 31st March, 2021. Acuité believes that

going forward the liquidity position of the company will remain moderate and hence a key monitorable over the medium term due to leveraged capital structure and in presence of implementation risk.

Outlook: Stable

Acuité believes that the outlook on BAHDL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, and financial flexibility of the Ambuja-Neotia group. The outlook may be revised to 'Positive' in case the company makes substantial progress on the bookings over the medium term. Conversely, the outlook may be revised to 'Negative' in case there is significant drop in bookings or any deterioration of financial risk profile leading to pressure on liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	30.08	40.74
PAT	Rs. Cr.	(11.14)	(7.44)
PAT Margin	(%)	(37.04)	(18.27)
Total Debt/Tangible Net Worth	Times	3.10	2.38
PBDIT/Interest	Times	0.43	0.68

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE BBB Stable Assigned
Yes Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	58.80	ACUITE BBB Stable Assigned
SBM Bank (India) Ltd.	Not Applicable	Term Loan	31-08-2025	9.90	30-09-2021	30.00	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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