

Press Release

Bengal Ambuja Housing Development Limited

March 02, 2023

Rating Reaffirmed



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

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 100.00 Cr bank facilities of Bengal Ambuja Housing Development Limited (BAHDL). The outlook remains '**Stable**'.

Rating Rationale

The rating primarily considers the established presence and strong brand image of the Ambuja-Neotia group in the real estate sector and the promoter's willingness to support the business through regular fund infusion. However, these strengths are 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.

Standalone (Unsupported) Rating

ACUITE BB+ / Stable

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

Established presence in real estate industry

The Ambuja-Neotia group has three decade long experience in the real estate industry. Moreover, the management is highly experienced and involved in the day to day operations of the company. Acuite draws comfort from the experience and expertise of the group as

well as the management of BAHDL.

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 25 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 20 years and has established its brand which is widely recognized in the region. The group has also ventured into the states of Sikkim, Bihar and Chhattisgarh 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 around 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.

Strategic location

The upcoming residential project "Ecospace Residencia" and commercial project "Ecospace Business Tower" are strategically located at Rajarhat, Kolkata near the IT-hub of the city and is also surrounded by affluent residential colonies. In addition to this, 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

Below average financial risk profile

The company's below average financial risk profile is marked by modest networth and moderate gearing. The tangible net worth of the group increased to Rs.52.81 Cr as on March 31, 2022 from Rs.49.77 Cr as on March 31, 2021 due to retention of profits. Gearing of the company stood at 2.04 times as on March 31, 2022 as against 3.10 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.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Scheduled completion of the ongoing projects
- Timely receipt of customer advances
- Improvement in the financial risk profile
- Support from the group in case of any exigencies

Material covenants

None

Liquidity Position

Adequate

The 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.7.12 Cr in FY2022 and are expected to increase gradually as the business commences operations in the medium term. The current ratio stood moderate at 1.08 as on 31st March, 2022. 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.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	36.87	30.08
PAT	Rs. Cr.	3.02	(11.14)
PAT Margin	(%)	8.18	(37.04)
Total Debt/Tangible Net Worth	Times	2.04	3.10
PBDIT/Interest	Times	1.40	0.43

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2021	Proposed Bank Facility	Long Term	58.80	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	30.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	1.20	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	59.40	ACUITE BBB Stable Reaffirmed
RBL Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB Stable Reaffirmed
SBM Bank (India) Ltd.	Not Applicable	Term Loan	31 Aug 2025	9.90	30 Sep 2021	Simple	30.00	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Kaustav Saha Manager-Rating Operations Tel: 022-49294065 kaustav.saha@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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