



Press Release
BENGAL AMBUJA HOUSING DEVELOPMENT LIMITED
May 30, 2024
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 its long-term rating of **ACUITÉ BBB' (read as Acuité Triple B)** to the Rs. 100.00 crore bank facilities of Bengal Ambuja Housing Development Limited (BAHDL). The outlook is **'Stable'**.

Rationale for Rating

The rating reaffirmation continues to draw comfort from the long experience of the Ambuja-Neotia group in the real estate segment 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 moderate financial risk profile of the company, risk of timely collection of advances from customers 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. The Directors of The Company are Mr. Harshavardhan Neotia, Mr. Nabakumar Barman, Mr. Ramesh Chandra Sinha and others.

Unsupported Rating

ACUITE BB+/Stable

Analytical Approach

Acuité 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, Acuité 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 a long operational track record in the real estate industry of around four decades. In addition to this, the promoter is highly experienced and actively involved in the operations of the company. Acuité 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 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. The group over the years has infused Rs. 90.73 Cr. as on FY2024 to support the business operations of the company. 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.

Weaknesses

Moderate financial risk profile

The company's financial risk profile is marked by moderate networth, low gearing and comfortable weak debt protection metrics. The tangible net worth of the company stood at to Rs.81.70 Cr. (Prov.) as on March 31, 2024 from Rs.66.91 Cr. as on March 31, 2023 due to retention of profits. Gearing of the company improved to 0.71 times as on March 31, 2024 as against 0.98 times as on March 31, 2023 and 2.04 times as on March 31, 2022. The debt protection metrics of the company have also improved marked by Interest Service Coverage Ratio (ICR) at 3.93 times and Debt Service Coverage Ratio at 2.03 times and as on March 31, 2023 compared to 2.96 times and 1.26 times respectively on March 31, 2023. Acuité believes 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

- Scheduled completion of Ecospace Towers
- Timely receipt of customer advances
- Support from the group in case of any exigencies

Liquidity Position

Adequate

The group has provided funds 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. 15-20 Cr. in FY2024-25 against yearly debt obligation of Rs. 10- 15 Cr., over the medium term. The current ratio stood low at 0.87 as on 31st March, 2023. Furthermore the overdraft facility has been utilized at 51.9% for 7 months ended March 2024. Acuité believes that going forward the liquidity position of the company will remain at similar levels and collection from customers will continue to remain a key monitorable over the medium term.

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 projects and completes its earlier than

expected. Conversely, the outlook may be revised to 'Negative' in case there is delays in collection of advances from the project or any deterioration of financial risk profile leading to pressure on liquidity.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Provisional) | FY 23 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 131.32 | 39.46 |
| PAT | Rs. Cr. | 18.68 | 15.67 |
| PAT Margin | (%) | 14.23 | 39.72 |
| Total Debt/Tangible Net Worth | Times | 0.71 | 0.98 |
| PBDIT/Interest | Times | 3.93 | 2.96 |

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

Not Applicable

Any other information

None

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. Acuité'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 |
|-------------|----------------------------------|-----------|-----------------|----------------------------------|
| 02 Mar 2023 | Proposed Long Term Bank Facility | Long Term | 59.40 | ACUITE BBB Stable (Reaffirmed) |
| | Secured Overdraft | Long Term | 0.60 | ACUITE BBB Stable (Reaffirmed) |
| | Secured Overdraft | Long Term | 10.00 | ACUITE BBB Stable (Reaffirmed) |
| | Term Loan | Long Term | 30.00 | ACUITE BBB Stable (Reaffirmed) |
| 23 Dec 2021 | Proposed Long Term Bank Facility | Long Term | 58.80 | ACUITE BBB Stable (Assigned) |
| | Secured Overdraft | Long Term | 10.00 | ACUITE BBB Stable (Assigned) |
| | Secured Overdraft | Long Term | 1.20 | ACUITE BBB Stable (Assigned) |
| | Term Loan | Long Term | 30.00 | 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 avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 80.48 | ACUITE BBB Stable Reaffirmed |
| RBL Bank | Not avl. / Not appl. | Secured Overdraft | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 0.46 | ACUITE BBB Stable Reaffirmed |
| Yes Bank Ltd | Not avl. / Not appl. | Secured Overdraft | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 10.00 | ACUITE BBB Stable Reaffirmed |
| SBM Bank (India) Ltd. | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 30 Sep 2025 | Simple | 9.06 | ACUITE BBB Stable Reaffirmed |

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Ambuja Neotia Holdings Private Limited
2. Ambuja Housing & Urban Infrastructure Company Limited
3. Bengal Ambuja Housing Development Limited

Contacts

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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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