Indiabulls Real Estate Limited

June 08, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
LT - Bank Facilities – Term Loan	311.50	**CARE A (Under credit watch with Negative implications) [Single A (Under credit watch with Negative implications)]**	Rating revised from CARE A+(Under Credit watch with developing implications) [Single A Plus (Under Credit watch with developing implications)]
LT - Bank Facilities – BG	98.73	**CARE A (Under credit watch with Negative implications) [Single A (Under credit watch with Negative implications)]**	Rating revised from CARE A+(Under Credit watch with developing implications) [Single A Plus (Under Credit watch with developing implications)]
Proposed Bank Facilities – Term Loan	-	-	Withdrawn
Total	**410.23 (Rs. Four hundred ten crore and twenty three lakh only)**		
Non-Convertible Debenture issue	760.00 (Rs. Seven hundred and sixty crore only)	**CARE A (Under credit watch with Negative implications) [Single A (Under credit watch with Negative implications)]**	Rating revised from CARE A+(Under Credit watch with developing implications) [Single A Plus (Under Credit watch with developing implications)]
Non-Convertible Debenture Issue*	225.00 (Rs. Two hundred and twenty five crore only)	**CARE A+ (Under credit watch with Negative implications) [Single A Plus (Under credit watch with Negative implications)]**	Rating revised from CARE AA- (Under Credit watch with developing implications) [Double A Minus (Under Credit watch with developing implications)]
Proposed Non-Convertible Debenture Issue	0.00	-	Withdrawn

Details of instruments/facilities in Annexure-1

**The above rating is based on the credit enhancement in the form of Debt Service Reserve Account (DSRA) equivalent to at least 25.50% of the outstanding amount of the NCDs to be maintained in the form of "AAA" rated bonds/"AAA" rated Bank's fixed deposits till the tenure of the bonds, liened to the Trustees of the NCD issue.*

Detailed Rationale & Key Rating Drivers

CARE has withdrawn the rating assigned to the Proposed NCDs/Bank facilities of Indiabulls Real Estate Limited with immediate effect as IBREL has not utilized the proposed NCDs/bank facilities.

The revision in the ratings assigned to the bank facilities and instruments of Indiabulls Real Estate Limited takes into account moderation in the credit risk profile of the company owing to lower than expected levels of cash inflows, resulting into debt levels, though reduced on a y-o-y basis, higher than levels committed by the company earlier.

The cash inflows for the company have been weaker as IBREL continued to witness cancellations which exceeded fresh bookings leading to net refunds towards the residential segment along with lower than anticipated collections from monetisation of commercial properties/Hanover property during the last fiscal.

Earlier, CARE basis the articulation stated by the management, has taken cognizance of the fact of the following:

1. Collections from stake sale in commercial/Hanover property shall be concluded and the proceeds shall be utilised towards reduction in debt by March 31 2020; however a considerable portion aggregating to Rs.1,329 crore is yet to

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

be achieved and presently stands deferred to June 30, 2020, which is now crucial for the company to meet its debt obligations; and

2. The company will maintain Rs.1,000 crore liquidity in the form of certificate of deposits or fixed deposits with banks that are rated AA or higher or in AAA rated bonds. The same was though was infused by the promoters and parked in AA or higher or in AAA rated bonds, FDs Mutual funds etc; however the same was not maintained at envisaged levels.

Thus, CARE has noted that the above measures have not been achieved as compared to levels as agreed upon within the prescribed timelines resulting into moderation in liquidity as compared to envisaged earlier and therefore reflects in the credit action.

Further, the rating action also takes into account weaker than expected cash flows from the real estate business owing to disruption in operational activities i.e. stoppage of the construction work at various sites coupled with diminished sales and collection activities brought in by the on-going lockdown implemented by the government for the containment of COVID-19. In CARE's opinion, once the lockdown is lifted, the recovery in the residential housing segment is expected to be slow and gradual as buyers may choose to defer their purchases as they may be more averse to big ticket expenditures. This may impact sales/collection momentum as well as new sales launches as the developers may choose to wait for the demand in the residential segment to pick-up.

Hence, with cash flow generation from the real estate business is expected to remain subdued in the near term, so in order to preserve liquidity, the company has availed moratorium as per RBI guidelines for principal and interest payments of its bank facilities, and repayment of NCDs is expected to be serviced as per schedule. The company is maintaining adequate liquidity to meet its debt obligations in the near term. With the liquidity being consumed for meeting debt obligations, the management is contemplating to augment its liquidity position and maintain at adequate levels from the sales proceeds of the assets already sold during the last fiscal or else with the infusion of funds from the promoter within the envisaged timelines.

The ratings assigned to the instruments and bank facilities of IBREL continue to factor in the experience of the management in the real estate development, having presence in multiple cities, and improvement in the overall debt to equity ratio as on March 31, 2020. The rating also positively factors in the healthy tied up receivables from the residential sales, and large size of the OC backed inventory along with availability of sizeable land bank which may help the company is generating cash flows going forward.

The above rating strengths are however tempered by project execution risk associated with large number of on-going projects, and high dependence on customer advances and debt.

Rating Sensitivities

Positive Factors

- If tied up receivables to pending project cost and outstanding debt improves to more than 75% on sustainable basis.
- If inventory levels declines to less than 24 months.

Negative Factors

- If cumulative cash coverage ratio falls below 1.40 times on sustainable basis.
- If there is any change in promoters shareholding/control or any decline in credit profile of the flagship company of the group.
- If the company proceeds with the proposed Buyback of shares resulting into erosion of networth and putting pressure on the liquidity.

CARE has placed the ratings "under credit watch with negative implications" owing to:

1. Expected moderation in liquidity position of the company from the present levels, if the following steps as articulated by the management do not fructify in a timely manner as mentioned below:
    a. Receipt of Rs.1,213 crore from sale of Hanover property on or before June 30, 2020 Or else if owing to any unforeseen exigency, these funds are not received by June 30, 2020 the promoter will infuse ₹ 1,000 crore on or before June 30, 2020 and will maintain the same till scheduled debt repayments of FY 2020-21 is achieved.
2. If lenders of the company opt for accelerated repayments, as per option available to the various lenders, putting further strain on the company's liquidty and cash flows.
3. Reorganisation of business involving merger of certain on-going, completed and planned residential and commercial projects of Embassy Property Developments Pvt. Ltd. and its likely impact on the credit risk profile of the entity. The reorganisation once completed shall result in IndiaBulls ceasing to be the promoter entity.

CARE will continue to closely monitor the progress relating to the above developments, the possible extent of impact on the credit profile of the company and will take a final rating action on receipt of clarity on the outcome of the above developments.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management and long track record of operations

Mr Sameer Gehlaut has been the chairman of Indiabulls Group since inception. Under his leadership, Indiabulls Group has grown in scale and size to a business house with strong businesses in various sectors. Mr. Gurbans Singh and Mr. Vishal Damani, the joint managing directors of the company have also played an instrumental role in ramping up the company's business. IBREL has been present in the real estate development business since more than a decade developing about 216 lakh square feet (lsf) area during the period. Experienced management and long existence in the business helps the company is handling large scale projects undertaken by the group over the years.

Presence in multiple cities in India

The company is currently developing commercial and residential projects in metros and Tier-1 cities i.e. Mumbai, Thane, Panvel (Mumbai Metropolitan Region), Delhi, Gurgaon (NCR). The company muplitple on-going projects in different cities such as Mumbai, Panvel, Vadodara, Gurugram, Jodhur which provide geographical diversification to the company's cash flows.

Healthy tied-up receivables and OC backed inventory

The company has healthy tied up receivables from its sold commercial properties and residential units. As on March 31, 2020, tied-up receivables aggregates to Rs.3,902 crores which includes Rs.116 crores from commercial properties sold to Blackstone, Rs.1,213 crore from Hanover property sold to Promoters, and Rs.2,573 crores from various residential projects. Additionally, as on March 31, 2020 the company has OC backed inventory of Rs.2,400 crores. Furthermore, the company had sizeable land bank of 1,929 acres in Mumbai, NCR, and Chennai region along with 1,424 acres of land at Nashik SEZ.

Reduction in debt levels albeit the same remains below envisaged levels

During FY20, collections received from sale of commercial assets and Hanover property helped the company in reducing its adjusted debt levels (including CGs) which declined from Rs.12,166.64 crore as on March 31, 2019 to Rs.3,140 crores as on March 31, 2019. Decline in debt levels were mainly due to release of CGs amounting to Rs.5,134 crores from sale of commercial properties and Rs.1056 crore from sale Hanover property. However, the decline in debt levels remained below envisaged levels due to lower than envisaged collections during the year from sale of residential and commercial properties.- Going forward, with sale of commercial assets, the company is now majorly dependent on sale of residential units for generating cash flows, which has remained below par in the recent past. Hence, going forward, improvement in collections and sales remain critical for the company to meet its obligations in the medium term.

Key Rating Weaknesses

Enhanced sales risk due to sluggish demand and continued sales cancellations seen in the residential segment

The company's residential segment continued to see weak performance as sales cancellations were seen across its multiple projects. On an aggregate basis, the company saw net cancellations of Rs.1,099 crores, largely led by cancellations in its Blu estate (Worli) project. These sales cancellations led to aggregate net refund of ~Rs.334 crores to its customers during FY20. However, sales of commercial properties during FY20 helped the company in generating healthy net collections of Rs.3,547 crore during the year.

Going forward, the company is largely dependent on sale of residential units for generating its revenues. However, sluggish ongoing residential market, which is further expected to deteriorate due to weakening economy, may result in enhanced sales risk for the company. Moreover, with track record of large number of cancellations, the ability of the company to generate necessary sales and collections remains to be seen.

Vulnerability to project execution, approval, and funding risk

As on March 31, 2020 the company had large number of on-going projects with total area under development of around 22.30 msf. IBREL is expected to incur more than Rs.3,303 crore towards these projects. Large number of on-going projects exposes the company towards project execution and approval risk. Moreover, as majority of these project cost is expected to be met through receipt of customer advances the company is also exposed to funding risk.

Liquidity : Adequate

As on May 31, 2020 the company had cash and bank balances of Rs.1,174 crores (including lien marked amount of ~Rs.300 crore). Further, the company is expected to receive the following inflow of funds as given below:

a. Receipt of Rs.1,213 crore from sale of Hanover property on or before June 30, 2020 Or else if owing to any unforeseen exigency, these funds are not received by June 30, 2020 the promoter will infuse Rs.1,000 crore on or before June 30, 2020 and will maintain the same till scheduled debt repayments of FY 2020-21 is achieved,
b. Receipt of remaining ICD of Rs.148 crore on or before September 30, 2020 and

c. Net receipt of Rs.116 crore from Blackstone deal by end of FY21.

Thus, with the above steps to be taken by the company within the scheduled timelines as mentioned, the liquidity levels is expected to remain adequate to meet its debt obligations of Rs.1,723 crore for FY21

Analytical approach:

CARE has taken a consolidated approach (as provided in consolidated annual reports) for the rating of Indiabulls Real Estate Limited (IBREL) and its Subsidiaries/JVs together on account of IBREL extending unconditional and irrevocable corporate guarantees/letter of comfort to the lenders of these Subsidiaries/JVs. All these companies have high level of operational, financial and managerial synergies.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology: Factoring Linkages in Ratings
Rating Methodology – Real Estate Sector

About the Company

Indiabulls Real Estate Limited (IBREL) was incorporated on April 4, 2006. IBREL is engaged in real estate development, directly as well as through various subsidiaries as well as associate companies. The main focus of IBREL is construction and development of properties, project management, investment advisory and construction services.

IBREL, along with the related entities, has developed 216 lakh sq ft (lsf) since its inception. As on March 31, 2020, the company had total land bank of about 1,929 acres for which entire cost has been paid, as reported by the management. The company also had 1,424 acres of land in Nashik SEZ.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)#
Total operating income	5,028.02	3,440.63
PBILDT	1,132.43	985.95
PAT	504.32	121.11
Overall gearing (times)	2.38	1.00
Interest coverage (times)	2.45	2.05

A: Audited; #Based on Abridged audited result published on BSE

Status of non-cooperation with previous CRA: NA.

Any other information: NA.

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	Q2FY21	8.24	CARE A (Under Credit watch with negative implications)
Fund-based - LT-Term Loan	-	-	-	Q3FY21	303.26	CARE A (Under Credit watch with negative implications)
Non-fund-based - LT-Bank Guarantees	-	-	-	-	98.73	CARE A (Under Credit watch with negative implications)
Loan-Long Term	-	-	-	-	-	Withdrawn
Debentures-Non Convertible Debentures	INE069I07272	18- Mar-16	10.75%	18-March-21	30.00	CARE A (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07330	16-Aug-16	10.00%	16-Jun-22	30	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07298	29-Jun-16	10.00%	29-Apr-22	75	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07306	8-Jul-16	10.00%	6-May-22	31	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07314	12-Jul-16	10.00%	12-May-22	25	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07322	18-Jul-16	10.00%	18-May-22	20	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07355	9-Sep-16	9.85%	8-Jul-22	19	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07348	7-Sep-16	9.80%	7-Jul-22	25	CARE A+ (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07389	29-Jun-17	9.00%	29-Jun-20	250.00	CARE A (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07397	27-Jun-18	9.50%	26-Jun-20	240.00	CARE A (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	INE069I07405	27-Jun-18	9.50%	25-Jun-21	240.00	CARE A (Under Credit watch with negative implications)
Debentures-Non Convertible Debentures	-	-	-	-	-	Withdrawn
Debentures-Non Convertible Debentures	-	-	-	-	-	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Commercial Paper	ST	-	-	-	1)Withdrawn (12-Nov-19) 2)CARE A1+ (Under Credit watch with Developing Implications) (30-Aug-19) 3)CARE A1+ (Under Credit watch with Developing Implications) (11-Jun-19) 4)CARE A1+ (05-Apr-19)	-	1)CARE A1+ (13-Mar-18) 2)CARE A1+ (29-Jan-18)
2.	Non-fund-based - LT-Bank Guarantees	LT	98.73	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	-	1)CARE AA-; Stable (29-Jan-18)
3.	Loan-Long Term	LT	-	-	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	1)CARE AA-; Stable (16-Jul-18)	1)CARE AA-; Stable (29-Jan-18)
4.	Fund-based - LT-Term Loan	LT	8.24	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing	1)CARE AA-; Stable (16-Jul-18)	1)CARE AA-; Stable (29-Jan-18)

						Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)		
5.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (11-Jun-19) 2)CARE AA-; Stable (05-Apr-19)	-	1)CARE AA-; Stable (29-Jan-18)
6.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (29-Jan-18)
7.	Fund-based - LT-Term Loan	LT	303.26	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	1)CARE AA-; Stable (16-Jul-18)	1)CARE AA-; Stable (29-Jan-18)
8.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (29-Jan-18)
9.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (29-Jan-18)
10.	Debentures-Non Convertible Debentures	LT	30.00	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	-	1)CARE AA-; Stable (29-Jan-18)
11.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (29-Jan-18)
12.	Debentures-Non Convertible Debentures	LT	30.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA (SO) (Under Credit watch with Developing	-	1)CARE AA (SO); Stable (29-Jan-18)

						Implications) (11-Jun-19) 3)CARE AA (SO); Stable (05-Apr-19)		
13.	Debentures-Non Convertible Debentures	LT	151.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA (SO) (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA (SO); Stable (05-Apr-19)	-	1)CARE AA (SO); Stable (29-Jan-18)
14.	Debentures-Non Convertible Debentures	LT	19.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA (SO) (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA (SO); Stable (05-Apr-19)	-	1)CARE AA (SO); Stable (29-Jan-18)
15.	Debentures-Non Convertible Debentures	LT	25.00	CARE A+ (Under Credit watch with Negative Implications)	-	1)CARE AA- (SO) (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA (SO) (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA (SO); Stable (05-Apr-19)	-	1)CARE AA (SO); Stable (29-Jan-18)
16.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	-	1)Withdrawn (29-Jan-18)
17.	Debentures-Non	LT	-	-	-	-	-	1)Withdrawn

	Convertible Debentures							(29-Jan-18)
18.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (16-Jul-18)	1)CARE AA-; Stable (29-Jan-18) 2)CARE AA-; Stable (04-Jul-17)
19.	Debentures-Non Convertible Debentures	LT	250.00	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	-	1)CARE AA-; Stable (29-Jan-18) 2)CARE AA-; Stable (04-Jul-17)
20.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (05-Apr-19)	-	1)CARE AA-; Stable (29-Jan-18) 2)CARE AA-; Stable (20-Sep-17)
21.	Debentures-Non Convertible Debentures	LT	480.00	CARE A (Under Credit watch with Negative Implications)	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	-	1)CARE AA-; Stable (13-Mar-18)
22.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+ (Under Credit watch with Developing Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	1)CARE AA-; Stable (16-Jul-18)	-
23.	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+ (Under Credit watch with Developing	1)CARE AA-; Stable (16-Jul-18)	-

						Implications) (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)		
24.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Aug-19) 2)CARE AA- (Under Credit watch with Developing Implications) (11-Jun-19) 3)CARE AA-; Stable (05-Apr-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
I. Maintenance of ratios	Ratio of consolidated total term debt to Net-worth shall not exceed as specified in terms with the lenders
II. Accelerated repayment	If the rating falls below specified levels the facility or on occurrence of event of default the company the company will have to make accelerated repayment of certain NCDs/Bank facilities.
B. Non-financial covenants	
I. Promoter shareholding	The promoters shareholding shall not fall below specified levels

Annexure-4: List of companies consolidated with IBREL: As per Audited result.

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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