

## Bengal Ambuja Housing Development Limited

December 26, 2017

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based facilities	50.00	50.00	[ICRA]BBB+ reaffirmed; Outlook revised from 'Stable' to 'Negative'
Non-fund-based Facilities*	10.00	10.00	
Unallocated Limits	242.00	242.00	
<b>Total</b>	<b>302.00</b>	<b>302.00</b>	

\*Limits of Rs. 10 crore are fully fungible with fund-based facilities

### Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) assigned to the Rs. 50-crore<sup>1</sup> fund-based facilities, Rs. 10.00-crore non-fund based facilities and Rs. 242.00-crore unallocated limits of Bengal Ambuja Housing Development Limited (BAHDL)<sup>2</sup>. The outlook on the long-term rating has been revised from 'Stable' to 'Negative'.

### Rationale

The revision in the outlook takes into account the continued weakness in sales velocity in BAHDL's single launched project, Utsav Dhulagarh, as well as further deferral of the sales launch of its other ongoing project, Ecospace Residencia, to FY2019, resulting in reduced visibility on future operational cash flows from ongoing projects, at least over the near term. Although ICRA notes that the receipt of income against sale of development rights to a subsidiary is likely to support liquidity to some extent in FY2018, the overall financial profile of the company is expected to remain weak, with aggressive gearing levels and moderate debt-protection metrics.

The rating continues to take into account the established market position of the Ambuja Neotia Group, of which BAHDL is a part, in the real-estate sector in East India. The demonstrated financial support extended to BAHDL by the promoters over the years provides additional comfort. BAHDL has an established track record of project execution, mainly based on the strength of its in-house project-development capabilities and synergies derived from its association with the West Bengal Housing Board (WBHB). Additionally, BAHDL's sizeable fully paid-up land bank also continues to impart financial flexibility to the company, and thus has a positive impact on the ratings. Going forward, BAHDL's ability to successfully execute the ongoing and new projects within the budgeted cost and time, market the unsold inventory at favourable prices, and ensure timely collection from the existing bookings, would continue to be critical determinants of its credit-risk profile.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Outlook: Negative

The negative outlook factors in the reduced visibility on future operational cash flows from ongoing projects, at least over the near term. The outlook may be revised to 'Stable' if project bookings and correspondingly, collections witness a considerable increase, thus leading to an improvement in operational cash flows.

## Key rating drivers

### Credit strengths

**Established market position of the Ambuja-Neotia Group in the real-estate space in East India** – BAHDL, an Ambuja Neotia Group company, is a joint-sector initiative of the Ambuja Housing Urban Infrastructure Company Limited (AHUICL) and WBHB. The Ambuja Neotia Group is an established player in the real-estate space in East India, especially in Kolkata, West Bengal, and has constructed several residential and commercial complexes in the region.

**Demonstrated support from promoters** – Unsecured loans extended by the promoters/group companies to BAHDL have increased by around 34% over the past three years. While these loans carry interest, the interest is accrued to support cash flows, as and when required. This demonstrated financial support extended to BAHDL by the promoters over the years provides additional comfort.

**BAHDL's long project-execution track record** – BAHDL has completed six residential projects and one commercial project since its inception in 1993, with all the residential projects being considerably over-subscribed. Moreover, these projects were completed within the stipulated cost and time period, thereby reflecting superior project-execution skills of the company.

**Presence of a sizeable land bank, which imparts financial flexibility** – BAHDL has, over time, acquired a land bank comprising around 48 acres, at a low cost. With the land bank being fully paid-up, BAHDL derives considerable financial flexibility from the same.

### Credit challenges

**Continued weakening of BAHDL's financial risk profile with rising cash losses over the past three years, notwithstanding some improvement expected in FY2018** - Limited project launches over the past three financial years, combined with low sales momentum, resulted in the company's turnover declining from Rs. 78.83 crore in FY2014 to Rs. 24.07 crore in FY2017. While the company recorded an operating profit of Rs. 4.42 crore in FY2017, rising interest expenses, which can be mainly attributed to increased unsecured loans from promoters, led to continued cash losses. However, ICRA notes that the interest on unsecured loans is accrued to support cash flows, as and when required. Moreover, receipt of income against sale of development rights to a subsidiary is likely to support liquidity to some extent in FY2018.

**Tepid sales velocity continues for Utsav, Dhulagarh (plotted development project); considerable portion of the construction work is yet to be undertaken** – Sales for Phase-I of Utsav, Dhulagarh were launched in October, 2014. However, the project continues to receive weak market response, with only 3% incremental sales being recorded over the past year, taking total sales to around 59% of the launched area. The sales launch for Phase-II has been deferred at present, given the prevailing market conditions in the commercial real-estate sector in Kolkata. Moreover, with only 43% of the total project cost having been incurred till date, a large portion of the project remains to be constructed as well.

**Further deferral of expected cash inflows from the upcoming residential project, Ecospace Residencia, due to revision in project launch date** – BAHDL is developing a mixed-use project called Ecospace Residencia with a saleable area of 4.79 lakh sq. ft. However, the sales launch of the project, which was earlier planned within CY2016, was initially deferred to CY2017, and has now been further deferred to FY2019. Thus, the resultant cash flows, which are expected to improve the financial risk profile of the company over the long term, also stand deferred. Going forward, timely launch of Ecospace Residencia and the market response for the same would be critical in determining BAHDL's profits.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Rating Methodology for Real Estate Entities](#)

### About the company:

The real-estate development activities of the Ambuja Neotia Group started with the incorporation of Bengal Ambuja Housing Development Limited (BAHDL), a joint-sector enterprise of the West Bengal Housing Board (WBHB) and Gujarat Ambuja Cements Limited (GACL) in 1993. The objective of BAHDL was to supplement the efforts of the West Bengal Government to meet the housing needs in the state. After the acquisition of GACL by Holcim Limited, the holding of GACL in BAHDL was hived off to Ambuja Housing and Urban Infrastructure Company Limited (AHUICL), a company promoted by the Neotia Family. Subsequently, the hotel business of BAHDL was demerged into a wholly-owned subsidiary, BAHDL Hospitality Limited, with effect from April 1, 2010.

In FY2017, the company reported a net loss of Rs. 14.65 crore on an operating income of Rs. 24.07 crore compared to a net loss of Rs. 14.64 crore on an operating income of Rs. 32.88 crore in the previous year.

### Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	32.88	24.07
PAT (Rs. crore)	-14.64	-14.65
OPBDIT/ OI (%)	9.8%	18.4%
RoCE (%)	0.4%	1.2%
Total Debt/ TNW (times)	1.71	2.39
Total Debt/ OPBDIT (times)	41.43	34.48
Interest coverage (times)	0.21	0.26
NWC/ OI (%)	316%	468%

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years:

Current Rating (FY2018)					Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating December 2017	Date & Rating in FY2017 December 2016	Date & Rating in FY2016 November 2015	Date & Rating in FY2015 November 2014	
1 Fund-Based Limits	Long Term	50.00	37.81	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	
2 Non-Fund-Based Limits*	Long Term	10.00		[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	
3 Unallocated Limits	Long Term	242.00		[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	

\*Limits of Rs. 10 crore are fully fungible with fund-based facilities

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	Sep-15	NA	Dec-20	26.00	[ICRA]BBB+ (Negative)
NA	Term Loan 2	Sep-13	NA	Oct-17	10.00	[ICRA]BBB+ (Negative)
NA	Term Loan 3	Nov-11	NA	Jun-21	10.00	[ICRA]BBB+ (Negative)
NA	Fund-Based Limits	NA	NA	NA	4.00	[ICRA]BBB+ (Negative)
NA	Non-Fund Based Limits*	NA	NA	NA	10.00	[ICRA]BBB+ (Negative)
NA	Unallocated Limits	NA	NA	NA	242.00	[ICRA]BBB+ (Negative)

\* Limits of Rs. 10 crore are fully fungible with fund-based facilities

Source: Bengal Ambuja Housing Development Ltd.

## ANALYST CONTACTS

**Jayanta Roy**

+91 33 7150 1120

[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

**Mahi Agarwal**

+91 33 7150 1106

[mahi.agarwal@icraindia.com](mailto:mahi.agarwal@icraindia.com)

**Kaushik Das**

+91 33 7150 1104

[kaushikd@icraindia.com](mailto:kaushikd@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6169 3300

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[naznin.prodhani@icraindia.com](mailto:naznin.prodhani@icraindia.com)

## Helpline for business queries:

+91-124-3341580 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 66069999

© Copyright, 2017 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents