

September 13, 2017

## Bhartiya International Limited

Bhartiya International Limited (BIL) recently announced a change in its shareholding in the holding company for the group's real-estate operations, consequent to approval of merger of companies under the real-estate vertical, on September 04, 2017.

The companies under the real-estate vertical of the Bhartiya group had filed a petition with the High Court of Madras for their merger which has been subsequently approved by the National Company Law Tribunal (NCLT). As per the scheme, the three real-estate entities i.e. Bhartiya Urban Infrastructure & Land Development Co. Pvt. Ltd. (BUILDCO), Bhartiya Realty & Infrastructure Private Limited (BRPL) and Bhartiya Orissa Power Private Limited (BOPL) will be merged with Bhartiya City Developers Private Limited (BCDPL)<sup>1</sup>.

Prior to merger, BUILDCO was the holding company of the group's real-estate operations, while BRPL and BOPL were promoter-owned investment entities with shareholding in BUILDCO. BUILDCO, in turn, had three subsidiaries including BCDPL, Milestone Buildcon Private Limited<sup>2</sup> (MBPL), and Bhartiya Developers Consortium Private Limited (BDCPL). While BDCPL does not have any operations, BCDPL and MBPL are undertaking real-estate projects in North Bangalore (Karnataka). As a result of the amalgamation scheme, BCDPL has now become the holding company for the group's real-estate operations with two subsidiaries namely MBPL and BDCPL. Further, as per the terms of the scheme of amalgamation, BIL now holds ~36.77% stake in BCDPL (against ~27.83% stake in BUILDCO earlier), though there has been no incremental investment by BIL.

Based on the limited information received from the company, the said transaction is not likely to have any material implications on the overall credit profile of BIL. Moreover, the merger of these entities continues to be in line with the group's stated intent of consolidating its real estate operations. Nevertheless, ICRA would continue to monitor all the material developments with regard to the consummation of merger process and take necessary rating action, if required.

ICRA has ratings of [ICRA]A(Stable) and [ICRA]A1 outstanding for the Rs. 585.22-crore bank facilities of BIL. The company has also recently announced its financial results for the quarter ended June 2017. ICRA notes that BIL (on a standalone basis) has reported a modest improvement in its operating performance in Q1FY2018. BIL reported net revenues of ~Rs 107.8 core and operating margins of ~10.3%, showing a ~7% growth in net revenues and slight improvement in operating margins on year-on-year basis. BIL's ability to sustain a healthy growth in its revenues, while sustaining its profitability margins as well as prudently managing its working capital cycle and to achieve higher product, client as well as geographical diversification continue to remain the key rating sensitivities.

**The previous rating rationale is available on the following link: [Bhartiya International Limited](#)**

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<sup>1</sup> ICRA has [ICRA]BBB-(Stable) rating outstanding for BCDPL's bank facilities. Please refer to ICRA's website [www.icra.in](http://www.icra.in) for detailed rationale on the company.

<sup>2</sup> ICRA has [ICRA]BBB-(SO) (Stable) and [ICRA]BB+(Stable) ratings outstanding for MBPL's bank facilities. Please refer to ICRA's website [www.icra.in](http://www.icra.in) for detailed rationale on the company.

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