

Indiabulls Real Estate Limited

March 13, 2018

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Commercial Paper (CP) Issue*	1,500.00 (Enhanced from 1,000.00)	CARE A1+ (A One Plus)	Reaffirmed
Proposed Non-Convertible Debenture Issue	500.00	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Assigned

**Backed by an undertaking given by the company stating that the company would maintain cash and cash equivalents and undrawn facility limits in the company or its subsidiaries to the extent of 60% of the amount of CP issued during the tenure of the CP.*

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the debt instruments and bank facilities of Indiabulls Real Estate Limited (IBREL) continue to derive strength from the healthy lease tie-up in commercial assets providing revenue visibility, track record of the management to execute and mobilise funds for the projects, pan-India presence, IBREL's established brand name and availability of sizeable land bank.

The rating strengths however, continue to be tempered by project execution risk, significant development plans primarily dependent on customer advances and the inherent cyclical nature of the Indian real estate industry. Furthermore, slower than expected recovery in sales post demonetisation especially in the company's residential projects in NCR region and high leverage levels weighs down credit positives.

IBREL is planning to divest its stake in Indiabulls Properties Private Limited (IPPL) and Indiabulls Real Estate Company Private Limited (IRECPL) and monetise its assets in Chennai by March 31, 2018. As communicated to us, the proceeds of such monetisation would be utilised to reduce debt. In case of delay in divesting stake in IPPL and IRECPL and monetising assets in Chennai, promoters are expected to infuse Rs.1,200 crore in IBREL in the mentioned timeframe. The rating is sensitive to reduction in debt due to the above events viz. divestment of stake in IPPL, IRECPL and monetisation of assets in Chennai and/or equity infusion from promoters.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management: 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. The company has already completed about 52 lakh square feet (lsf) of real estate development in a span of about ten years which provides comfort about the ability of the management to scale up the operations.

Pan India presence: IBREL is currently developing commercial and residential projects in the Metros i.e. Mumbai, Panvel (Mumbai Metropolitan Region), Chennai, Delhi, Gurgaon (NCR). IBREL has also completed projects located in other cities like Vadodra, Ahmedabad and Madurai. Furthermore, in FY15 the company has also acquired property in London for development of a premium residential project. However, Mumbai and Gurgaon continue to account for over 90% of the projects under development (in terms of sales potential) in India as of Dec 31, 2017.

Healthy lease tie-ups provides revenue visibility for commercial projects: The company's rental properties mainly comprise Indiabulls Financial Centre and One Indiabulls Centre in Mumbai. The commercial properties have occupancy level up to 95% of the total leasable area.

Income from rental business increased to Rs.540 crore in FY17 from 487 crore in FY16, an increase by 11% y-o-y basis. In March 2017, the company acquired a commercial property in Chennai which is 89% occupied and is expected to generate annual lease rent of Rs.64 crore from FY18 onwards. Further, the company is developing five new commercial properties in Mumbai and NCR, including the recently acquired commercial property in Gurgaon, the lease rentals are expected to increase going forward with addition of new commercial properties and increase in lease rentals from existing properties. As of Dec 31, 2017, the group has 52 lsf of area given under lease rental and 36.50 lsf of area under development to be leased out. In 9MFY18, the company earned Rs. 505 crore from rental as against Rs. 394 crore in 9MFY17.

IBREL to divest stake in Indiabulls Properties Private Limited and Indiabulls Real Estate Company Private Limited: IBREL earlier was planning to hive-off its commercial and leasing business as part of restructuring process to Indiabulls Commercial Assets Ltd (IBCAL), a separate company under IBREL. The company however is now looking to divest its stake

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

at individual SPV level. IBREL is in advanced talks with a PE investor to divest 50% of its stake in Indiabulls Properties Private Limited (IPPL) and Indiabulls Real Estate Company Private Limited (IRECPL).

Particulars (As on Dec 31, 2017)	Rental Properties	Development Properties
Net worth	2,626	1,784
Net Debt	4,205	5,313

The company is also looking to sell of its assets in Chennai and exit the geography. The proceeds would be utilised to reduce debt. According to the company in case of delay in divesting its stake in IPPL and IRECPL, monetising its assets in Chennai, promoters would infuse Rs.1,200 crore in IBREL. Hence reduction in debt either through divestment, monetisation of assets or through infusion from promoters is the key rating monitor able

Key Rating Weaknesses

Slowdown in sale post demonetisation: Income from real estate development lowered to Rs.1,814 crore in FY17 from Rs.2,544 crore in FY16, a decline by 29% y-o-y basis.

Increasing debt levels: In the past, the company had primarily funded its operations through equity contribution from promoters resulting in low financial leverage. However, with significant increase in scale of operations, which has resulted into increase in saleable area to 392 lsf as on March 31, 2017; IBREL's reliance on debt financing has increased in recent years.

The overall gearing stood at 1.98x as on March 31, 2017 as against 1.84x as on March 31, 2016. The overall gearing for period ended March 31, 2016, has been revised due to consolidation of debt of Indiabulls Properties Investment Trust, Singapore with IBREL. The debt has further increased to Rs. 10,652 crore as on Dec 31, 2017. In H1FY18, Rs.843 crore has been received by the company from sale of its shares to which IBREL was the sole beneficiary providing some liquidity.

Project execution risk and approvals risk: As on Dec 31, 2017, IBREL and its subsidiaries have incurred more than 65% of the total project costs for all the on-going projects. The remaining cost to be incurred for these projects is Rs.6,898 crore as on Dec 31, 2017 (which can be fully funded by the receivables from already sold inventory of Rs.6,902 crore linked to the construction progress of these projects). The company also launched its London project in Q4FY17 and have started with demolition work at the site, the construction cost of the project is close to Rs.1,500 crore. IBREL has pre-construction approvals for all its on-going projects. Considering the above, there is a moderate execution and approvals risk.

Cyclical in the Real Estate Industry and Prospects: The capital-intensive real estate industry is highly cyclical in nature. The industry that seemed to have bounced back from the downturn during 2008 is currently facing liquidity crunch due to subdued demand as well as due to slow rate of approvals. With the improvement in macro-economic conditions in the country, the real estate sector is expected to attain a gradual recovery. IBREL houses many premium residential projects which are susceptible to macro-economic downturn.

Analytical approach: While assessing the risk profile of the company, CARE has considered the consolidated financials of Indiabulls Real Estate Limited (IBREL) since most of the projects of the company are either through subsidiaries or associate companies.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios - Non-Financial sector](#)

About the Company

Indiabulls Real Estate Limited (IBREL) was incorporated on April 4, 2006. IBREL is listed on the BSE and the NSE and its Global Depository Receipts are listed on the Luxembourg Stock Exchange and quoted on the International Order Book of the London Stock Exchange.

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 339 lakh sq ft (lsf) saleable area with a GDV of approximately Rs.32,268 crore for its ongoing projects as on Dec 31, 2017. IBREL has total land bank of about 3634 acres (includes 2588 acres of SEZ land in Nashik) for which 100% amount is paid for, as reported by the management.

During FY17, IBREL reported PAT of Rs. 357 crore (PY: Rs. 339 crore) on an operating of Rs.2,844 crore (PY: Rs.2,720 crore). For 9MFY18, the IBREL reported PAT of Rs. 332 crore on an operating income of Rs. 3,899 crore.

(Rs. crore)

Brief Financials	FY16 (A)	FY17 (A)
Total operating income	3033.85	2380.92
PBILDT	981.74	715.01
PAT	321.33	356.67
Overall Gearing (times)	1.85	1.98
Interest Coverage (times)	2.00	1.31

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

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

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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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	-	-	-	500.00	CARE AA-; Stable
Commercial Paper	-	-	7 Days to 1 Year	1500.00	CARE A1+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Commercial Paper	ST	1500.00	CARE A1+	1)CARE A1+ (29-Jan-18)	1)CARE A1+ (20-Jan-17) 2)CARE A1+ (18-Aug-16) 3)CARE A1+ (01-Jul-16)	1)CARE A1+ (07-Sep-15) 2)CARE A1+ (29-May-15)	1)CARE A1+ (05-Dec-14) 2)CARE A1+ (15-Oct-14) 3)CARE A1+ (20-Aug-14)
2.	Non-fund-based - LT-Bank Guarantees	LT	98.73	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (07-Sep-15) 2)CARE A+ (29-May-15)	1)CARE A+ (15-Oct-14)
3.	Loan-Long Term	LT	200.00	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (13-Jan-16) 2)CARE AA- (07-Sep-15) 3)CARE A+ (29-May-15)	1)CARE A+ (02-Jan-15) 2)CARE A+ (15-Oct-14)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (18-Aug-16)	1)CARE AA- (07-Sep-15)	1)CARE A+ (15-Oct-14)
5.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (07-Sep-15)	1)CARE A+ (15-Oct-14)
6.	Fund-based - LT-Term Loan	LT	8.24	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (07-Sep-15) 2)CARE A+ (29-May-15)	-
7.	Debentures-Non	LT	900.00	CARE	1)CARE AA-;	1)CARE AA-;	1)CARE AA-	1)CARE A+

	Convertible Debentures			AA-; Stable	Stable (29-Jan-18)	Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	(07-Sep-15)	(15-Oct-14)
8.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (07-Sep-15)	1)CARE A+ (15-Oct-14)
9.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (07-Sep-15)	1)CARE A+ (02-Jan-15)
10.	Fund-based - LT-Term Loan	LT	201.76	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (07-Sep-15) 2)CARE A+ (29-May-15)	1)CARE A+ (02-Jan-15)
11.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (13-Jan-16) 2)CARE AA- (07-Sep-15) 3)CARE A+ (29-May-15)	-
12.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (13-Jan-16)	-
13.	Debentures-Non Convertible Debentures	LT	85.00	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (25-Feb-16)	-
14.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (29-Jan-18)	1)CARE AA-; Stable (20-Jan-17) 2)CARE AA- (18-Aug-16)	1)CARE AA- (30-Mar-16)	-
15.	Debentures-Non Convertible Debentures	LT	30.00	CARE AA (SO); Stable	1)CARE AA (SO); Stable (29-Jan-18)	1)CARE AA (SO); Stable (20-Jan-17) 2)CARE AA (SO) (12-Sep-16) 3)Provisional CARE AA (SO) (18-Aug-16) 4)Provisional CARE AA (SO) (01-Jul-16)	-	-

16.	Debentures-Non Convertible Debentures	LT	151.00	CARE AA (SO); Stable	1)CARE AA (SO); Stable (29-Jan-18)	1)CARE AA (SO); Stable (20-Jan-17) 2)CARE AA (SO) (12-Sep-16) 3)CARE AA (SO) (18-Aug-16)	-	-
17.	Debentures-Non Convertible Debentures	LT	19.00	CARE AA (SO); Stable	1)CARE AA (SO); Stable (29-Jan-18)	1)CARE AA (SO); Stable (20-Jan-17) 2)CARE AA (SO) (30-Sep-16) 3)Provisional CARE AA (SO) (12-Sep-16)	-	-
18.	Debentures-Non Convertible Debentures	LT	25.00	CARE AA (SO); Stable	1)CARE AA (SO); Stable (29-Jan-18)	1)CARE AA (SO); Stable (20-Jan-17) 2)CARE AA (SO) (30-Sep-16) 3)Provisional CARE AA (SO) (12-Sep-16)	-	-
19.	Non-fund-based - ST-Bank Guarantees	ST	-	-	1)Withdrawn (29-Jan-18)	1)CARE A1+ (20-Jan-17)	-	-
20.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (29-Jan-18)	1)CARE AA-; Stable (28-Mar-17)	-	-
21.	Debentures-Non Convertible Debentures	LT	75.00	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18) 2)CARE AA-; Stable (04-Jul-17)	-	-	-
22.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18) 2)CARE AA-; Stable (04-Jul-17)	-	-	-
23.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA-; Stable	1)CARE AA-; Stable (29-Jan-18) 2)CARE AA-; Stable (20-Sep-17)	-	-	-
24.	Debentures-Non Convertible Debentures	LT	500.00	CARE AA-; Stable	-	-	-	-

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