Bestech India Private Limited

December 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	420.00	CARE BBB+; Positive	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Bestech India Private Limited derives strength from extensive experience of the promoters and established presence in the real estate markets of Gurgaon, limited execution risk owing to advanced stage of execution of ongoing project portfolio, comfortable financial risk profile, and availability of sizeable land bank for future expansion. The rating is however partially tempered on account of moderate receivable coverage ratio, moderate booking status and inherent cyclical nature of the real estate sector.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in the booking status of ongoing project portfolio
- Improvement in receivable coverage ratio to over 80% on a sustained basis.

Negative factors

- Considerable decline in the operating cash flows of the company on account of lower than envisaged sales momentum and collection efficiency.
- Significant decline in the receivable coverage ratio below 30% on a sustained basis.
- Significant funding support to group companies leading to deterioration in cash flow position of the company.

Analytical approach: Consolidated.

CARE Ratings has taken a consolidated view of BIPL and its subsidiaries, on account of being in similar line of business and operated under a common management. The list of entities whose financials have been consolidated are mentioned in Annexure-6.

Outlook: Positive. The positive outlook reflects expectations that overall business risk profile and cash flow position of the company will improve upon timely sales of the considerable inventory in the ongoing retail project. The outlook may be revised to 'Stable' in the event of substantial delays in monetizing the unsold inventory.

Detailed description of the key rating drivers:

Key strengths

Experience in the real estate industry: The Bestech group has an extensive experience of more than two decades into real estate development and till date, it has developed more than 130 lakh sq-ft of space across residential, commercial and retail projects. Due to sizeable execution mainly in and around Gurgaon, the group has an established brand image in the Gurgaon real estate market.

Limited execution risk: The company is currently executing four ongoing projects spread out at an area of close to 18 lacs sq-ft. As on September 30, 2023, BIPL has collectively incurred around 70% of the project cost for all the ongoing projects, indicating a low level of execution risk. Within these ongoing projects, the company has incurred over 80% of total project cost in three out of four projects, whereas one project is in its initial stage of execution.

Comfortable financial risk profile: The external debt of the company has reduced significantly over the years from over Rs.600 crore as at end of FY18 to close to Rs.260 crore as on September 30, 2023. This has led to reduction in overall gearing to below unity, reflecting comfortable financial risk profile. The projects currently under execution are funded through moderate level of debt as external debt constitutes over 25% of total project cost incurred towards ongoing and upcoming projects, as on September 30, 2023.

Sizeable land bank for future expansion: The group has sizeable land bank of over 80 acre with substantial market value. The presence of sizeable land parcels supports the expansion plans of the group and supplements the financial flexibility.

Key weaknesses

Booking status stands satisfactory however, monetization of unsold inventory remains monitorable: Amongst ongoing projects, the company has commenced bookings for three projects (Bestech Altura, 92 market-place, and Central

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Boulevard) and the commercial portion of another project (Athena). In case of Bestech Athena, the company also has a retail portion which is yet to be launched for sales. The valuation of retail portion is estimated at close to Rs.1000 crore and hence, the timely launch/monetization of the same remains crucial from credit perspective. Amongst the launched projects, the company has achieved satisfactory bookings, contributing around 60% of total area as on September 30, 2023. When considering the retail project, the booking status stands moderate at 45%.

Moderate receivable coverage ratio: The committed receivable from sold units stands moderate at close to 50% to cover its balance project cost and outstanding debt. As the committed receivable coverage ratio is moderate, there is relatively high reliance on fresh sales to fund the future project cost and meet debt commitments. While the unsold inventory provides a healthy cover over the balance cost and debt outstanding, the timely liquidation of such inventory remains monitorable.

Inherent cyclical nature of the real estate sector: The company is exposed to the cyclicality associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

Liquidity: Adequate. As on September 30, 2023, the company has free liquid funds of over Rs.20 crore against the debt obligations of close to Rs.120 crore in the next four quarters. The company also has receivables from sold inventory of close to Rs.260 crore, which provides healthy cash flow visibility in the near term and partially covers the balance project cost and outstanding debt. Furthermore, with sizeable ready inventory, the cash flow from operations of the company are expected to remain comfortable to service its upcoming debt obligations.

ESG risks: Not applicable

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating methodology for Real estate sector
Policy on Withdrawal of Ratings

About the company and industry

Incorporated in 2001, BIPL is the flagship company of the Bestech Group, engaged in the real estate business. The Bestech group was founded by Mr. Dharmendra Bhandari and Mr. Sunil Satija in 1992. Initially, the group started as a construction contractor and later forayed in the real estate business. The group has developed over 130 lsf of space across residential and commercial projects in Gurgaon, Mohali and Dharuhera. Currently, BIPL is developing four projects with total area of 18 lacs-sq-ft at various stage of execution. The group is also engaged in hospitality segment and manages portfolio of four hotels under the brands of Radisson Blu, Radisson Red and Radisson at Noida, Indore, Nagpur and Mohali.

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

BIPL- Standalone

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	FY23 and H1FY24
Total operating income	415.80	474.35	NA
PBILDT	81.25	175.12	NA
PAT	36.40	116.20	NA
Overall gearing (times)	0.58	0.53	NA
Interest coverage (times)	3.65	8.35	NA

A: Audited; NA: Not available
Notes:
1) 'the above results are latest financial results available'; financials are classified as per CARE's internal standard.
2) The company was hit by cyber-attack and hence there is delay in finalization of financial statements for FY23

BIPL- Consolidated

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	FY23 and H1FY24
Total operating income	432.91	495.29	NA
PBILDT	89.38	178.44	NA
PAT	39.09	115.75	NA
Overall gearing (times)	0.64	0.59	NA
Interest coverage (times)	3.35	7.26	NA

A: Audited; NA: Not available

Notes:

1) 'the above results are latest financial results available'; financials are classified as per CARE's internal standard.

2) The company was hit by cyber-attack and hence there is delay in finalization of financial statements for FY23

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Proposed fund based limits	-	-	-	-	55.57	CARE BBB+; Positive
Fund-based - LT-Term Loan	-	-	-	30-11-2031	264.43	CARE BBB+; Positive
Non-fund-based - LT-Bank Guarantee	-	-	-	-	70.00	CARE BBB+; Positive
Non-fund-based-Long Term	-	-	-	-	30.00	CARE BBB+; Positive

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT*	264.43	CARE BBB+; Positive				
2	Fund-based - LT-Proposed fund based limits	LT*	55.57	CARE BBB+; Positive				
3	Non-fund-based - LT-Bank Guarantee	LT*	70.00	CARE BBB+; Positive				
4	Non-fund-based-Long Term	LT*	30.00	CARE BBB+; Positive				

*Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple
4	Non-fund-based-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of subsidiaries

Entity	Principal Activity	BIPL's stake as on March 31, 2022 (%)
Babylon Homes Pvt. Ltd.	Construction of commercial and residential complexes	95
Globus Projects Pvt. Ltd.	Construction of commercial and residential complexes	77.87
Babylon Real Estate Developers Pvt. Ltd.	Real Estate	100

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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