



Bengal Ambuja Housing Development Limited

Instrument	Amount Rated	Rating Action
Fund Based Facilities	Rs. 50 crore	[ICRA]A- reaffirmed; outlook revised to negative
Non-fund Based Facilities	Rs. 10 crore*	[ICRA]A- reaffirmed; outlook revised to negative
Unallocated Limits	Rs. 242 crore	[ICRA]A- reaffirmed; outlook revised to negative

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

ICRA has reaffirmed the long term rating of [ICRA]A- (pronounced ICRA A minus) outstanding on the Rs. 50 crore^{*} fund based facilities, Rs. 10 crore[†] non-fund based facilities, and Rs. 242 crore unallocated limits of Bengal Ambuja Housing Development Limited (BAHDL)[‡]. The outlook on the long term rating has been revised from stable to negative.

The revision in rating outlook takes into the account the cash losses incurred by BAHDL in FY15 due to lack of ongoing projects, which along with the aggressive capital structure and moderate debt protection metrics, tempers the financial risk profile of the company to an extent. ICRA expects the company to continue to incur cash losses in the near term. The market response for the upcoming Dhulagarh plotted development project has been moderate, with 40% of the launched saleable area being sold till July 2015, and the phase II of the project having been deferred by the company till real estate market conditions improve. However, the self-financing nature of the project limits funding risks to some extent, although execution risks remain, given the nascent stage of construction at present. ICRA takes cognizance of the fact that the company is planning to launch Ecospace Tower in the first half of CY16, which is expected to improve the financial risk profile of the company, albeit only over the long term. BAHDL's ability to successfully execute the ongoing and new project within the budgeted costs 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, going forward.

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, as well as BAHDL's longstanding project execution track record, based largely on the strength of its in-house project development capabilities and synergies derived from its association with the West Bengal Housing Board (WBHB). Additionally, the successful completion of Upohar, a residential complex, with healthy bookings (~99% saleable area booked) and adequate customer advances, has led to a substantial project surplus thus far, with further cash inflow expected from the unsold inventory going forward. Further, BAHDL's sizeable land bank also imparts financial flexibility to the company, and thus has a positive impact on the ratings. However, the ratings also factor in the company's cross subsidization based business model, which has had an adverse impact on profitability in the past, although increased sale of the High Income Group (HIG) segment has supported profitability to an extent.

Company Profile

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. Consequent upon 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 01, 2010.

* 100 lakh = 1 crore = 10 million

† Rs. 10 crore is fully fungible with fund based facility

‡ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



Recent Results

During FY15, BAHDL posted an operating income and net loss of Rs. 33.41 crore and Rs. 11.78 crore respectively. In FY14, BAHDL recorded a profit after tax of Rs. 0.73 crore on the back of an operating income of Rs. 78.83 crore.

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For further details please contact:

Analyst Contacts:

Mr. Jayanta Roy, (Tel. No. +91-33-22876617 / 22800008)

jayanta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91 33 7150 1100)

jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500