

India Ratings Affirms Bakeri Urban Developments's NCDs and Bank facilities at 'IND BB'/Stable

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India Ratings and Research (Ind-Ra) has affirmed Bakeri Urban Development Private Limited's (BUDPL) debt instruments as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*#	-	-	-	INR1,050	IND BB/Stable	Affirmed
Working capital demand loan	-	-	-	INR100	IND BB/Stable	Affirmed

*Details in Annexure

#As per SEBI Master Circular, in the case of listed or proposed to be listed debt securities, an unsupported rating is to be disclosed in cases where there is a presence of a specified support considerations, even though the instruments do not carry a CE suffix rating. The unsupported ratings is arrived at without factoring in the explicit credit enhancement. It helps in understanding the extent of credit enhancement factored into the instrument rating.

Analytical Approach

Ind-Ra has taken a fully consolidated view of BUDPL, its group company Bakeri residence LLP and its holding company Bakeri Projects Private Limited's (BPPL; debt rated at 'IND BB'/Stable; holds 100%), owing to the strong legal, operational and financial linkages among them. BPPL has provided a corporate guarantee for BUDPL's NCDs.

Detailed Rationale of the Rating Action

The rating affirmation factors in the low sales booking in Bakeri Group's plotted development scheme projects due to subdued demand; however, the sales visibility and collection efficiency of the group remain stable, primarily on account of a continuous inflow of funds from the newly launched flagship project Stella in GIFT City in Ahmedabad. The group started this project construction in March 2023 and at end-October 2024, around 20% of construction work was completed. However, the group has already sold out around 55% (447,973 square feet (sf)) of its total area of 895,107sf till October 2024 for INR3,760 million and collected INR1,249 million. The total project cost is INR4,031 million. The group has raised a term loan of INR1,000 million for funding the project which has a moratorium of 42 months. The remaining cost will be covered through customer advances.

List of Key Rating Drivers

Weaknesses

- Slow-paced sales booking in projects other than Stella

- High debt obligations likely to consume high portion of customer advances
- High geographical concentration, cyclicity and regulatory risk

Strengths

- Stable revenue and collection visibility backed by new project launch
- Low project execution risk; experienced promoters
- High completion status; diversified project mix

Detailed Description of Key Rating Drivers

Slow-paced Sales Booking in Projects Other Than Stella: Although the group has recorded adequate sales visibility on account of the new project launch, sales booking is slow paced in completed projects namely Serenity Meadows, Sarvesh Apartments, Sakar9, Serenity Proximus 1, due to the high-quoted prices which are not being absorbed by the market. Similarly, the ongoing projects namely Samasta Arcade and Sylvan Golf and Homes are registering slow sales booking. Separately, Serenity Proximus 2 is stuck due to ongoing litigation with previous landowners.

High Debt Obligations Likely to Consume High Portion of Customer Advances: The group has high scheduled debt repayment obligations of INR555 million and INR562 million in FY26 and FY27, respectively, along with a finance cost of INR316 million and INR311 million. These repayments are likely to burn most of the customer advances, leading to a lower availability of funds for project completion, as has been seen in the past 12 months. Furthermore, BUDPL's NCDs along with accrued interest are redeemable in FY27 for a total value around INR2,875.53 million. As per the management, these NCDs are fully subscribed by the promoters and likely to be rolled back without any outflow of funds.

High Geographical Concentration, Cyclicity and Regulatory Risks: The group heavily depends on one market – Ahmedabad and Gandhinagar belt. Furthermore, the Indian real estate industry is highly cyclical with volatile cash flows. The real estate sector is exposed to a number of regulatory requirements that are subject to frequent and unpredictable changes. This leads to confusion, non-compliance and delays in project execution.

Stable Revenue and Collection Visibility Backed by New Project Launch: The group's overall sales and collections were at INR3,311.50 million and INR1,901.56 million, respectively, during the 12 months ended December 2024. These numbers were primarily supported by strong sales bookings in the flagship project Stella. It is a residential project launched in August 2023 at the premium location of Sabarmati riverfront. This project is at initial stage (20% completed) and would entail a total cost of around INR4,031 million. The group had already sold out around 55% (447,973sf) of its total area 895,107sf till October 2024 for INR3,760 million and collected INR1,249 million. Moreover, the group has an unsold ready inventory of about 193,857 square yards plotted development scheme & bungalow and 285,004sf commercial & residential units valued at nearly INR3.32 billion, along with an inventory of ongoing projects at an estimated value of over INR13.13 billion, which provides adequate revenue visibility. Ind-Ra expects the group to maintain the collection velocity as the company liquidates its completed inventory and receives funds from the sold units of the ongoing projects in a phased manner.

Low Project Execution Risk; Experienced Promoters: The group faces low execution risk since many of its projects are already completed. The company has four ongoing projects (Samasta Arcade at 77.93%, Stella GIFT City at 19.88%, Sujal Apartments at 17.48% and Sylvan Golf at 46.35%) where on average, only 40% of construction was completed as on 31 October 2024; however, even though there are sizeable construction costs pending, all the required approvals have already been obtained. Ind-Ra draws comfort from the promoters' more than six decades of experience in the real estate construction business, which has enabled the company to establish a brand presence. The group has developed over 25 million sf of plotted development and 17 million sf of constructed properties.

High Completion Status; Diversified Project Mix: The group has overall high project completion status of around 80% on a weighted average basis, as most of its projects are 100% completed and have a ready inventory for sale. There are four ongoing projects, which are under development with an average completion status of around 40%. The project mix is well diversified with availability of residential & commercial buildings and plotted developments.

Liquidity

Stretched: At end-October 2024, the group's projects (sold) had receivables of INR2,915 million and an unsold inventory of INR14,651 million, as against the pending construction cost of INR4,829 million. The group has total debt repayments of around INR1,939 million and a finance cost of INR917 million over FY26-FY28, which pressures its liquidity. The Bakeri group's available cash and cash equivalent were INR41.85 million in FY24. The agency expects the liquidity to remain under pressure if the finished inventory is not liquidated, given the sizeable, committed construction cost for under construction & new projects, along with sizeable scheduled debt repayments.

Rating Sensitivities

For NCD, bank loans and Unsupported Ratings

Negative: Delays in the selling of the ready inventory (completed project), slow sales in the ongoing projects, a slowdown in project completion and/or collection, leading to a further pressure on the liquidity position will be negative for the ratings.

Positive: A ramp-up in the execution of the project Stella, faster liquidity of the ready inventory (completed project), a significant increase in the sales realisation leading to an improvement in the liquidity position, could lead to a positive rating action.

Disclosures for CE Rating

Disclosures for ratings backed by 'specified support considerations'

1) UNSUPPORTED RATING

Ind-Ra has affirmed the unsupported rating at 'IND BB'/Stable.

The unsupported rating is arrived at without factoring in the explicit credit enhancement. It helps in understanding the extent of credit enhancement factored into the instrument rating.

The analytical approach, detailed key rating drivers, liquidity and sensitivities for unsupported rating are the same as that for the NCD and bank loans ratings.

2) INSTRUMENT COVENANTS

Refer to Annexure II

3) ADEQUACY OF CE STRUCTURE

BPPL is BUDPL's 100% parent and has provided a corporate guarantee for the rated NCDs. Since the guarantee does not meet Ind-Ra's requirement and does not specify the timeline for invocation to ensure payment on the due date, Ind-Ra has not considered the same as an explicit credit enhancement and hence not added the CE suffix to the NCD rating.

Any Other Information

Standalone profile: BUDPL had sales and collection velocity of INR465 million in the 12 months ended December 2024. BUDPL has one ongoing project namely Sylvan Golf & Country homes plots which is 46% completed and 15% sold out. BUDPL has a ready inventory of INR1,917 million from its completed projects, which are available for liquidation in the near-to-mid term. The repayment obligation is INR254 million in FY25 and INR189 million in FY26.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on BUDPL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please [click here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

About the Company

BPPL is a real estate development company engaged in residential, plotted development, and commercial real estate properties. It is the flagship company of Bakeri Group. Bakeri Group was set up in 1959 and has developed more than 25 million sf of plotted development and 17 million sf of constructed properties in Ahmedabad.

Key Financial Indicators

CONSOLIDATED

Particulars	FY24	FY23
Revenue (INR million)	628.27	659.96
EBITDAR (INR million)	260.70	232.23
EBITDAR margin (%)	41.49	35.19
Gross interest coverage (x)	1.22	1.65
Net leverage (x)	8.35	9.75
Source: BPPL; Ind-Ra		

STANDALONE

Particulars	FY24	FY23
Revenue (INR million)	223.08	208.12
EBITDAR (INR million)	81.92	120.92
EBITDAR margin (%)	36.72	58.10
Gross interest coverage (x)	0.84	0.96
Net leverage (x)	30.08	20.67
Source: BUDPL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

BUDPL is listed under the non-cooperation by issuer category by Brickwork Ratings India Pvt Ltd due to the inadequate information provided by the company.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	5 March 2024	22 September 2023	10 March 2023
Issuer rating	Long-term	-	-	-	WD	IND BB/Stable
Non-convertible debentures	Long-term	INR1,050	IND BB/Stable	IND BB/Stable	-	IND BB/Stable
Working capital demand loan	Long-term	INR100	IND BB/Stable	IND BB/Stable	-	IND BB/Stable
Unsupported rating	Long-term	-	IND BB/stable	IND BB/stable	-	IND BB/Stable

Bank wise Facilities Details

The details are as reported by the issuer as on (25 Feb 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Karur Vysya Bank	Working Capital Demand Loan	100	IND BB/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non convertible debentures	Low
Working capital demand loan	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

ANNEXURE I- DETAILS OF INSTRUMENTS

Issue Name/Type	ISIN	Date of Issuance	Coupon Rate (% p.a.)	Maturity Date	Size of Issue (million)	Rating/Outlook
NCD	INE325U08198	29 February 2016	10	29 April 2026	INR150	IND BB/Stable
NCD	INE325U08206	1 March 2016	10	30 April 2026	INR150	IND BB/Stable
NCD	INE325U08214	3 March 2016	10	1 May 2026	INR150	IND BB/Stable
NCD	INE325U08222	4 March 2016	10	3 May 2026	INR150	IND BB/Stable
NCD	INE325U08230	5 March 2016	10	4 May 2026	INR150	IND BB/Stable
NCD	INE325U08248	22 August 2016	10	21 April 2027	INR100	IND BB/Stable
NCD	INE325U08255	23 August 2016	10	22 April 2027	INR100	IND BB/Stable
NCD	INE325U08263	24 August 2016	10	23 April 2027	INR100	IND BB/Stable
	Total utilised limit				INR1,050	

Source: NSDL, BUDPL

ANNEXURE II - KEY TERMS OF NCDs & INSTRUMENT COVENANTS

Particulars	Key Terms
Facilities	<ul style="list-style-type: none"> · Tranche 1: INR150 million · Tranche 2: INR150 million · Tranche 3: INR150 million · Tranche 4: INR150 million · Tranche 5: INR150 million · Tranche 6: INR100 million · Tranche 7: INR100 million · Tranche 8: INR100 million
Nature of Instrument	Rated listed redeemable non-convertible unsecured debentures

Object of the Issue	The object of the Issue is to raise funds through private placement basis for the purpose of discharging the debt obligation of the company, to meet the working capital & capital expenditure requirement and for general corporate business purposes.
Coupon Rate	10% p.a. compounding cumulative
Coupon payment dates	Payable at the time of maturity
Coupon Type	Fixed coupon type
Security	Unsecured However, the holding company of BUDPL (i.e. BPPL) has provided an unconditional and irrecoverable corporate guarantee to IDBI Trusteeship Service Limited to ensure timely repayment of the principal amount along with accrued interest on due date
Final Redemption Date	4 May 2026
Events of Default	<ol style="list-style-type: none"> 1. Non-payment of loan dues 2. Breach of covenants and undertakings 3. Misrepresentation 4. Insolvency 5. Cessation of business 6. Winding up

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Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Policy for Credit Enhanced (CE) Ratings

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