

B. K. Developers: Reaffirmed

Facility	Amount (Rs. Crore)	Rating/Outlook
Term Loan	89.50 (Reduced from Rs. 115.00 crore)	SMERA BBB-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of **'SMERA BBB-' (read as SMERA triple B minus)** assigned to the Rs.89.50 crore long term bank facility of B. K. Developers (BKD). The outlook is **'Stable'**.

The rating draws comfort from the experienced management and healthy revenue visibility. The rating also factors in the reputation of the tenant and healthy duration of the lease period (nine years). However, the rating is constrained by the high customer concentration risk, weak capital structure as reflected in the high gearing on account of withdrawal of capital for the period FY2011-12 to FY2015-16.

Update

BKD continues to benefit from the over two decades of experience of its members in the real estate industry. The firm continued to report healthy debt protection metrics marked by comfortable Debt Service Coverage Ratio of 1.35 times in FY2016 and interest coverage ratio of 3.74 times (3.42 times in FY2016). The rating continues to draw comfort from the reputed tenants. The term loan has been issued under the Lease Rental Discounting scheme and thus stability in lease rental collection continues to remain a key credit monitorable.

The rating also benefits from the healthy occupancy level of BKD. SMERA believes that the same is expected to remain in place over the medium term on account of the long duration of the lease period and prime location of the property - Gurgaon, Haryana.

The rating is, however, constrained by risks emanating from the high customer concentration risk. Around 94 per cent of revenue is derived from two tenants. Premature termination of the lease agreement and/or delay in lease rentals from tenants can adversely impact BKD's debt servicing abilities.

SMERA also factors in the high gearing of the firm. The debt to equity ratio continues to remain high at 5.69 times on 31st March, 2016 (5.91 times on 31st March, 2015) on account of continued withdrawal of capital by the members of the firm.

Outlook: Stable

SMERA believes that BKD will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm is able to renew its lease agreement within the stipulated time frame and generate steady cash flows from rental income. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and liquidity position.

Rating Sensitivity Factors

- Movement in occupancy levels
- Timely renewal of lease agreements
- Movement in gearing

About the Firm

BKD was incorporated in 2006 as an association of persons by Mr. Anand Jain, Mr. Deepak Jain, Ms. Malti Jain, Ms. Sarita Jain and M/s Plasto Metal Industries. The firm has constructed and completed (June 2009) IT+ITES Park in Gurgaon under the name Infotech centre.

In FY2016, BKD reported Profit After Tax (PAT) of Rs.19.34 crore on operating income of Rs.29.86 crore as against PAT of Rs.20.01 crore on operating income of Rs.28.93 crore in FY2015.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
15 September, 2015	Term Loan	115.00	SMERA BBB- (Assigned)	-	Stable

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ABOUT SMERA

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