

Press Release

Brahmani Developers Private Limited

September 05, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 35.00 crore bank facilities of BRAHMANI DEVELOPERS PRIVATE LIMITED (BDPL). The outlook is '**Stable**'.

Incorporated in 2007, Brahmani Developers Private Limited (BDPL) is a Rourkela (Odisha) based company engaged in civil construction and real estate business. The company undertakes tender based contract for construction of roads, power sub- station, schools etc. BDPL in addition also develops mid- size real estate project of 20-60 flats under single or twin towers. Company is currently carrying out three projects in Rourkela, namely, Brahmani Dreams, Brahmani Castle and Om Brahmani Square. It is an approved 'Super Class Contractor' from Public Works Department (PWD), Government of Odisha. The company was promoted by Mr. Ramesh Agarwal, Mr. Alka Kadmwala and Mr. Vinay Giri.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of BDPL.

Key Rating Drivers

Strengths

- **Established track record and high sale ability**

The company has an established track record of executing real estate and civil construction works in Rourkela. BDPL in the last one decade has completed eight mid-sized real estate projects in Rourkela and has undertaken several civil construction works. The real estate project over the years has reported healthy sale ability, with over 90 per cent of the area sold. Currently, the company has three projects, whose, on an average 85 per cent flats have been sold when the construction is yet to get completed.

- **Moderate order book position**

BDPL has moderate order book position of ~ Rs 78.89 crs from construction of roads, power sub- station, busildings which is likely to be executed by FY2020. Further, the company has undertaken two residential projects 'Brahmani Dreams' and 'Brahmani Castle' with expected sale value of Rs.27.49 crs in Jagda (Rourkela). The projects are expected to be completed by 2021-22.

- **Higher growth in sale of flats as against construction pace**

BDPL is currently executing three projects for which all of required clearances have already been done. 'Brahmani Dreams' project is located in Rourkela is 33 percent complete wherein of the total cost of Rs. 11.94 crore, Rs. 6.34 core is incurred till 23 July, 2019 and 89 percent of the total saleable area has been sold. However, only Rs. 2.97 crore of customer advances have been received. SWL plans to complete the construction by January, 2021. 'Brahmani Castle' project is located in Rourkela is 9 percent complete wherein of the total cost of Rs. 11.95 crore, Rs. 5.79 crore is incurred till 23 July, 2019 and 80 percent of the total saleable area has been sold. However, only Rs. 1.65 crore of customer advances have been received. SWL plans to complete the construction by August, 2021.

- **Increase in scale of operations and profitability**

The company has reported healthy revenue growth with compounded annual growth rate (CAGR) of around ~14.84 per cent through the last three years ended 31 March, 2019 (Provisional). The company reported revenue growth of ~25.67 per cent with operating income of Rs.51.59 crore in FY2019 (Provisional) as against operating income of Rs.41.05 crore in FY2018. The operating margins of the company increased to 7.86 per cent in FY2019 (Provisional) from 7.24 per cent in FY2018.

- **Healthy financial risk profile**

The financial risk profile of the company is marked by its high net worth, moderate gearing and debt protection metrics. Debt to equity stands moderate at 1.06 times in 2019 (Provisional) as against 1.09 times in FY2018. Total debt of Rs 17.78 crore in FY2019 (Provisional) consist of long term loan of Rs. 0.19 crore, Rs.8.63 crore of unsecured loans from relatives/ promoters and Rs. 8.96 crore of short term working capital facilities. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.03 times as on 31 March 2019 (Provisional) as against 2.84 times as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 2.39 times in FY2019 (Provisional) as against 2.40 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31 March 2019 (Provisional) and as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 1.77 times in FY2019 (Provisional) as against 1.38 times in FY2018.

Weaknesses

- **Working Capital Intensive Operations**

The operations are working capital intensive in nature marked by high Gross Current Asset (GCA) days of 316 in FY 2019 (Provisional) as against 423 days in FY2018. The high GCA days are on account of stretched inventory days 174 in FY2019 (Provisional) as against 232 days in FY2018 an inherent nature of construction business. Inventory of Rs 22.64 crore as on 31st March, 2019 includes Rs 2.46 crore of completed projects, Rs.5.43 crore of land and plots, Rs 4.72 crore of real estate WIP and Rs 10.03 crore of works contract WIP. Further, debtor days decreased to 55 for FY2019 (Provisional) from 93 in FY2018. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

Liquidity Position

BDPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.72 crore to 2.35 crore during the last three years through 2017-19 (Provisional), while its maturing debt obligations are around Rs.1.00 crore over the same period. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 316 in FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.60 crore as on March 31, 2019 (Provisional). The current ratio of the company stands at 1.79 times as on March 31, 2019 (Provisional).

Outlook

Acuité believes that BDPL will continue to benefit over the medium term from the promoters' long experience in business and their moderate order book position. The outlook may be revised to 'Positive' if BDPL achieves more than envisaged sales and working capital management driven by its established position in Rourkela. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue due to delay in completion of projects in hand and financial risk profile further deteriorates owing to higher-than expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	51.59	41.05	39.12
EBITDA	Rs. Cr.	4.06	2.97	2.61
PAT	Rs. Cr.	1.92	1.50	1.38
EBITDA Margin	(%)	7.86	7.24	6.68
PAT Margin	(%)	3.72	3.65	3.53
ROCE	(%)	14.66	14.39	15.56
Total Debt/Tangible Net Worth	Times	1.06	1.09	0.92
PBDIT/Interest	Times	2.39	2.40	2.93
Total Debt/PBDIT	Times	3.47	3.56	3.30
Gross Current Assets (Days)	Days	316	423	298

Status of non-cooperation with previous CRA (if applicable)

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Jun-2019	Cash Credit	Long Term	5.00	ACUITE BBB- (Indicative)
	Cash Credit	Long Term	6.50	ACUITE BBB- (Indicative)
	Cash Credit	Long Term	1.00	ACUITE BBB- (Indicative)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Indicative)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Indicative)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Indicative)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3 (Indicative)
28-Mar-2018	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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