

Press Release

Brahmani Developers Private Limited

October 08, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the 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. It is an approved 'Super Class Contractor' from the Public Works Department (PWD), Government of Odisha. In addition, the company also develops mid-size real estate project of 20-60 flats under single or twin towers. It is currently carrying out five projects in Rourkela, namely, Brahmani Essence, Brahmani Elegance, an unnamed project in Shaktinagar, Jhirpani and Brahmani Prestige. The company was promoted by Mr. Ramesh Agarwal, Mr. Alka Kadmwala and Mr. Binay Giri.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of BDPL to arrive at the rating.

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 ten mid-sized real estate projects in Rourkela and has undertaken several civil construction works. The real estate project over the years has reported healthy salability, with over 90 per cent of the area sold. Currently, the company has five upcoming projects.

The day to day operations is carried by its directors, Mr. Ramesh Agarwal, Mr. Alka Kadmwala and Mr. Binay Giri, who has an experience of over two decades in the Infrastructure industry. The extensive experience of management has helped the company to get tenders of regular basis marked by a current order book of around Rs.140.43 crore out of which Rs.105.16 crore of work is expected to be done by FY2022. Further, it has also helped the company in a healthy salability of its real estate projects.

Acuité believes that BDPL will continue to benefit from its experienced management and established relationships with customers and suppliers.

- **Increased in profitability**

The operating margins of the company have improved to 10.41 per cent (Provisional) in FY2020 from 8.64 per cent in FY2019. This is majorly because of the exit of small builders after implementation of ORERA along which certain profitable work contracts been executed by the company. Profit after Tax (PAT) improved to 4.01 per cent (Provisional) in FY2020 from 3.32 per cent in FY2019. This is majorly because of the reduction in interest cost.

Acuité believes that the company will be able to sustain this level of profitability because of the competitive advantage after the elimination of small players due to ORERA and COVID-19 pandemic.

Weaknesses

• Modest scale of operations

Scale of operation of the company has been stagnant marked by compounded annual growth rate (CAGR) of around ~0.50 per cent through the last three years ended 31 March, 2020 (Provisional). The company reported deterioration of ~20.51 per cent with an operating income of Rs.41.46 crore (Provisional) in FY2020 as against operating income of Rs.52.16 crore in FY2019. This is majorly because of the loss of revenues during the month of March, 2020 and less number of orders during FY2020. Revenues generated until August, 2020 is around Rs.10.00 crore.

Acuité believes that the revenues will remain muted in current fiscal year majorly as an impact of nationwide lockdown due to COVID-19.

• Working Capital Intensive Operations

The operations are working capital intensive in nature marked by high Gross Current Asset (GCA) days of 341 (Provisional) in FY2020 as against 317 days in FY2019. The high GCA days are on account of stretched inventory days marked by 244 (Provisional) in FY2020 as against 188 days in FY2019 an inherent nature of real estate business. Inventory of Rs. 24.80 crore (Provisional) as on 31st March, 2020 includes Rs.2.78 crore of completed projects, Rs.5.29 crore of land and plots, Rs.3.57 crore of real estate WIP and Rs.13.16 crore of works contract WIP. Further, debtor days deteriorated to 80 (Provisional) for FY2020 from 52 in FY2019. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain the key rating sensitivity.

Liquidity Position: Adequate

BDPL has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.93 crore to 2.02 crore during the last three years through 2018-20 (Provisional), while its maturing debt obligations are around Rs.0.06 to Rs.0.40 crore over the same period. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 341 (Provisional) in FY2020. It maintains unencumbered cash and bank balances of Rs.1.06 crore (Provisional) as on March 31, 2020. The current ratio of the stands at 1.74 times (Provisional) as on March 31, 2020. The reliance on the working capital facility is high marked by average utilisation of around 95 per cent for the past 6 months ending August, 2020.

Outlook: Stable

Acuité believes that BDPL will continue to benefit over the medium term from the management's long experience in business and their healthy 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.

Rating Sensitivities

- Significant improvement in the scale of operations along with profitability margins.
- Deterioration in financial risk profile and working capital operations of the company leading to stretched liquidity profile.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	41.46	52.16
Profit after tax (PAT)	Rs. Crore	1.66	1.73
PAT margin	%	4.01	3.32
Total debt / Tangible Net worth	Times	0.97	1.18
PBDIT / Interest	Times	2.30	2.23

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-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Sept-2019	Cash Credit	Long Term	5.00	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- /Stable (Reaffirmed)
	Bank guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Bank guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Proposed Bank guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
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	11.00	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)

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About Acuité Ratings & Research:

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