

## Press Release

### Brahmani Developers Private Limited

June 30, 2021

### Rating Reaffirmed & Assigned



<b>Total Bank Facilities Rated*</b>	Rs.47.00 Cr. (Enhanced from Rs.35.00 Cr)
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Reaffirmed and Assigned)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed and Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed and assigned the 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.47.00 Cr bank facilities of Brahmani Developers Private Limited (BDPL). The outlook remains '**Stable**'.

The rating on BDPL takes into account the comfortable business risk profile marked by the management track record in the civil construction sector and real estate business and steady improvement in the profitability margins. The rating is also supported by the moderate financial risk profile characterized by modest networth, comfortable gearing levels and modest debt protection metrics. These strengths are however, partly offset by the modest scale of operations and working capital intensity of the business.

### About the company

Incorporated in 2007- Brahmani Developers Private Limited (BDPL) is a Rourkela based company engaged in civil construction and real estate business. The company is "Super Class Contractor" approved by PWD – Govt. of Odisha. The company is promoted by Mr. Ramesh Agarwal, Mr. Alka Kadmawala and Mr. Vinay Giri. The company undertakes tender based work from Government departments that includes PWD, (R & B) division, power transmission departments and local authorities etc. for construction of roads, sub- station, schools etc. The company also develops mid- size real estate project of 20-60 flats under a single or twin towers. The real estate projects are mainly based in Rourkela, Odisha whereas civil construction are spread across Odisha, Chhattisgarh, Jharkhand, MP, Bihar and West Bengal. The company earns around 75 percent of its revenues from civil construction and balance 25 percent is from real estate projects.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

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

BDPL has an established track record of executing real estate projects and civil construction works. The real estate projects have over the years reported healthy sale-ability with over 90 per cent of the area sold. Currently, the company has six upcoming projects, which provides sufficient revenue visibility. The day to day operations are managed by its directors, Mr. Ramesh Agarwal, Mr. Alka Kadmawala and Mr. Vinay Giri who have an experience of over two decades in infrastructure industry. The extensive experience of management has helped company to bag tenders on a regular basis marked by the current unexecuted order book position to the tune of about Rs.70 Cr. Acuité believes that BDPL will continue to benefit from its experienced management and long track record.

- **Steady improvement in profitability**

The operating margins of the company has improved to 9.46 per cent in FY2020 from 8.64 per cent in FY2019. This is majorly because of exit of small builders after implementation of Odisha Real Estate Regulatory Authority (ORERA) along with certain profitable work contracts executed by the company. The operating margin further improved to 12.58 percent in FY21 (prov.) as the company was able to cut down its costs (transportation, business and promotion expenses etc.) due to lockdown and halt in the project execution. The PAT margin

improved to 3.63 per cent in FY2021 from 3.61 per cent in FY2020. The profitability margins have translated into healthy RoCE levels for the firm of about 12.31 per cent in FY2021 (prov.) as against 11.19 per cent in FY2020. Acuite 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.

- **Moderate financial risk profile**

The company's average financial risk profile is marked by modest yet improving networth, comfortable gearing levels and modest debt protection metrics. The tangible net worth of the firm improved to Rs.19.62 Cr as on March 31, 2021 (provisional) from Rs.18.22 Cr as on March 31, 2020. Gearing of the firm stood comfortable at 0.97 times as on March 31, 2021 as against 1.05 times as on March 31, 2020. The debt of Rs.19.13 crore mainly consists of working capital borrowing of Rs.11.79 Cr, unsecured loans of Rs.6.57 Cr, term loan from bank of Rs.0.14 Cr and current portion of long term debt of Rs.0.62 Cr as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.03 times as on March 31, 2021 (prov.) as against 1.95 times as on March 31, 2019. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.81 times as on March 31, 2020 and Debt Service Coverage Ratio at 1.35 times as on March 31, 2021 (prov.). Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on March 31, 2021. Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

### **Weakness**

- **Modest scale of operations**

The company's scale of operation has been deteriorating since the last two fiscals. The company reported revenue dip of 7.87 per cent with an operating income of Rs.38.55 Cr in FY2021 (Provisional) as against Rs.41.84 Cr in FY2020. This is majorly on account of loss of revenues from March '20 to July '20 and less number of orders due to Covid induced lockdown followed by the monsoon. Acuite believes that the revenues will remain muted in current fiscal year majorly as an impact of uncertainty due to Covid-19.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 487 days as on 31<sup>st</sup> March 2021 (provisional) as compared to 391 days as on 31<sup>st</sup> March 2020. The high GCA days are on account of stretched inventory days marked by 265 in FY2021 (Prov.) as against 225 days in FY2019 due to the inherent nature of real estate business. Further, the debtor period deteriorated to 157 days as on 31<sup>st</sup> March 2021 (prov.) as compared to 109 days as on 31<sup>st</sup> March 2020. Maximum billing is done in the month of March and due to surge in Covid-19 cases in March '21, the company could not realize its receivables. The increased GCA days are also on account of high earnest money deposits & security deposits of Rs.3.88 Cr. Acuite believes that the working capital operations of the company will remain almost at the similar levels over the medium term as evident from the elongated collection mechanism, high debtor levels and inherent nature of business.

### **Rating Sensitivity**

- Any deterioration in the working capital metrics
- Growth in scale of operations
- Reduction in order flow

### **Material Covenant**

None

### **Liquidity Profile: Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs.1.83 Cr in March 31, 2021 (provisional) as against long term debt repayment of Rs.0.62 Cr over the same period. The current ratio stood comfortable at 1.42 times as on March 31, 2021 (prov.) as compared to 1.56 times as on March 31, 2020. The cash and bank balances of the firm stood at Rs.0.64 Cr as on March 31, 2021 (prov.) as compared to Rs.0.61 Cr as on March 31, 2020. However, the fund based limit remained utilised at 92 per cent over the seven months ended March, 2021. The company has availed a Covid loan of Rs.3.15 Cr but no loan moratorium. The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 487 days as on 31<sup>st</sup> March 2021 as compared to 391 days as on 31<sup>st</sup> March 2020. Acuite believes that the company will maintain adequate liquidity position over the medium term due to steady accruals.

### Outlook: Stable

Acuite believes that the outlook on BDPL will remain 'Stable' over the medium term on account of the long track record of operations and comfortable business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenue or further elongation in its working capital cycle.

### About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	41.84	52.16
PAT	Rs. Cr.	1.51	1.73
PAT Margin	(%)	3.61	3.32
Total Debt/Tangible Net Worth	Times	1.05	1.18
PBDIT/Interest	Times	2.16	2.23

### Status of non-cooperation with previous CRA

- India Ratings & Research, vide its press release dated Nov 6, 2018 had denoted the rating of Brahmani Developers Private Limited as 'IND BB+/Stable/A4+; ISSUER NOT COOPERATING'.
- Brickwork Ratings, vide its press release dated Aug 13, 2020 had denoted the rating of Brahmani Developers Private Limited as 'BWR B+/Stable/A4; ISSUER NOT COOPERATING'.

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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	Ratings/Outlook
			(Rs. Crore)	
08 October 2020	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	11.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
05 September 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)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)

	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
05 June 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)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Indicative)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3 (Indicative)
28 March 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)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	1.00	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)
WCDL-GECL	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE BBB-/Stable (Assigned)
WCDL-GECL	Not Applicable	Not Applicable	Not Applicable	1.95	ACUITE BBB-/Stable (Assigned)
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)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 (Reaffirmed)

Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.85	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)

## Contacts

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## About Acuité Ratings & Research:

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