

Press Release

Brahmani Developers Private Limited

September 15, 2022

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.96	ACUITE BB+ Stable Downgraded	-
Bank Loan Ratings	31.04	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	47.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**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 downgrade of BDPL takes into account the rising debt levels resulting in the deterioration in the gearing and Debt/EBIDTA levels of the company. However, the rating derives comfort from the experienced management, long track record of operations and the steady business risk profile of the company. These strengths are, however, offset by the below average financial risk profile of the company, the working capital intensive nature of operations and the competitive & fragmented industry.

About the Company

Incorporated in 2007, Brahmani Developers Private Limited (BDPL) is a Rourkela based company engaged in civil construction and real estate business and is a "Super Class Contractor" approved by PWD – Govt. of Odisha. BDPL 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's revenue base is comprised of 75 percent revenues from civil construction and remaining 25 percent from real estate projects.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long standing operations and experienced management**

BDPL has a long track record of operations of around two decades in executing real estate and civil construction works in Rourkela. The company's day to day operations are carried by its directors, Mr. Ramesh Agarwal, Mr. Alka Kadmawala and Mr. Vinay Giri who possess an extensive experience of over two decades in the infrastructure industry. Moreover, the experienced management has helped the company to get tenders on a regular basis. Acuité believes that BDPL will continue to benefit from its experienced management and long track record of operations.

- **Steady business risk profile backed by healthy order book position**

BDPL has an unexecuted order book of Rs.101.05 Cr as on June, 2022 to be executed in the next 12 to 24 months, thus providing comfortable revenue visibility over the medium term. Moreover, the company achieved operating income of Rs.42.26 Cr (provisional) in FY2022 as compared to Rs.36.05 Cr in FY2021. The increase in revenue is primarily due to the ramp up of operations after the pandemic. However, in FY2022, the operating margin of the company slightly declined to 11.92 per cent (provisional) from 12.13 per cent in FY2021, on account of increase in the project material costs. The PAT margin improved to 3.66 per cent (provisional) in FY2022 as compared to 3.43 per cent in FY2021 due to slight decrease in the finance cost of the company over the same period. Acuité believes that going forward, the scale of operations will improve further backed by the healthy order book position.

Weaknesses

- **Below average financial risk profile**

The below average financial risk profile of the company is marked by the strained leverage condition, low but improving net worth, and modest debt protection metrics. BDPL has registered significant deterioration in the leverage ratios with a consistent increase in the Debt/EBIDTA to 6.75 times (provisional) in FY2022 from 5.72 times in FY2021 and 4.21 times in FY2020. Simultaneously, the gearing rose to 1.63 times (provisional) in FY2022 from 1.42 times in FY2021. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.17 times (provisional) as on March 31, 2022 as against 2.42 times as on March 31, 2021. The tangible net worth of the company increased to Rs.20.99 Cr (provisional) as on March 31, 2022 from Rs.19.45 Cr as on March 31, 2021 due to accretion to reserves. The debt protection metrics of the company is marked by Interest Coverage Ratio at 1.87 times (provisional) as on March 31, 2022 and Debt Service Coverage Ratio at 1.71 times (provisional) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.06 times (provisional) as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will remain below average over the medium term due to the stretched financial position and further distress in the leverage will be key monitorable.

- **Working capital intensive nature of operations**

BDPL's working capital management is intensive in nature marked by Gross Current Assets (GCA) of 488 days (provisional) as on March 31, 2022 as compared to 567 days in 31st March 2021. The GCA days are high on account of high inventory level during the same period. The inventory period stood at 271 days (provisional) as on March 31, 2022 as compared to 317 days as on 31st March 2021 due to the inherent nature of real estate business. Further, the debtor period improved to 158 days (provisional) as on March 31, 2022 as compared to 187 days as on 31st March 2021. Acuité believes that the working capital operations of the company will remain at similar levels as evident from the high inventory days, extended collection mechanism and inherent nature of business over the medium term.

Competitive and fragmented nature of industry

With increased focus of the central government on the infrastructure sector, BDPL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHA and the Ministry of Road Transport & Highways (MoRTH). Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivities

- Deterioration in the financial risk profile
- Reduction in order flow
- Elongation in the working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.1.93 Cr (provisional) as on March 31, 2022 against no long term debt repayment over the same period. The cash and bank balances of the company stood at Rs.0.37 Cr (provisional) as on March 31, 2022. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 488 days (provisional) as on March 31, 2022 as compared to 567 days in 31st March 2021. The fund based limit of the company is utilized at 89 per cent over the six months ended August, 2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on BDPL will remain 'Stable' over the medium term on account of the long track record of operations and steady 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 decline in revenue, additional elongation in its working capital cycle or further stretch in the financial position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	42.26	36.05
PAT	Rs. Cr.	1.55	1.24
PAT Margin	(%)	3.66	3.43
Total Debt/Tangible Net Worth	Times	1.63	1.42
PBDIT/Interest	Times	1.87	1.74

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

INDIA RATINGS, vide its press release dated November 06, 2017 had denoted the rating of Brahmani Developers Private Limited as 'IND BB+/Stable/A4+; ISSUER NOT COOPERATING'. BRICKWORKS, vide its press release dated January 02, 2018 had denoted the rating of Brahmani Developers Private Limited as 'BWR BB/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jun 2021	Working Capital Demand Loan	Long Term	1.20	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	8.85	ACUITE A3 (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.95	ACUITE BBB- Stable (Assigned)
08 Oct 2020	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
05 Sep	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)

2019	Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Issuer not co-operating*)
		Long Term		ACUITE BBB- (Issuer not co-operating*)
05 Jun 2019	Cash Credit	Term	6.50	ACUITE BBB- (Issuer not co-operating*)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3 (Issuer not co-operating*)
	Bank Guarantee	Short Term	8.00	ACUITE A3 (Issuer not co-operating*)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Issuer not co-operating*)
	Cash Credit	Long Term	1.00	ACUITE BBB- (Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BBB- (Issuer not co-operating*)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4+ Downgraded (from ACUITE A3)
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	14.30	ACUITE A4+ Downgraded (from ACUITE A3)
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ Downgraded (from ACUITE A3)
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ Downgraded (from ACUITE A3)
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.74	ACUITE A4+ Downgraded (from ACUITE A3)
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	0.26	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)
Bank of Baroda	Not Applicable	Working Capital Demand	Not available	Not available	Not available	1.95	ACUITE BB+ Stable Downgraded (from

		Loan (WCDL)					ACUITE BBB-)
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	1.25	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)

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About Acuité Ratings & Research

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