

December 23, 2022

BRC Infra Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Secured Overdraft	6.00	6.00	[ICRA]BB (Stable); reaffirmed
Total	6.00	6.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the extensive experience of BRC Infra Pvt. Ltd's (BRC) promoters spanning more than two decades in the real estate industry. The Group has developed ~1.35 million square feet (msf) of residential space over the last 15 years. The rating considers the healthy construction progress of the ongoing project, BRC Sree Hemadurga SivaHills (SivaHills). In SivaHills, BRC has constructed five out of the total seven blocks. The remaining two blocks – Block D and Block C are expected to be completed in January 2023 and December 2023, respectively. It has already sold 38 flats in Block D from its share of 52 (73%) and 38 flats from Block C from its share of 120 (~32%) as on September 30, 2022 and expects to sell the remaining over the next 12-15 months. ICRA also notes the favourable location of SivaHills project in Puppalaguda, Hyderabad, which is near information technology (IT) companies located in Gachibowli, Financial District and Hitech City, enhancing the marketability of the project.

The rating is, however, constrained by the moderate committed cash flow cover [in terms of (pending receivables)/ (pending construction cost + debt outstanding)] of 37% from its committed receivables with dependence on future sales. The pandemic and the subsequent lockdown impacted the execution of projects (delaying the project completion date) as observed in lower sales velocity in FY2021 and FY2022 with 18 flats sold in each year. Further, the rating is constrained by the high geographical concentration risk as the ongoing projects are limited to Hyderabad. Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which make the company's sales vulnerable to any downturn in real estate demand.

The Stable outlook on the [ICRA]BB rating reflects ICRA's opinion that BRC will benefit from the favourable location of its ongoing SivaHills project.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in real-estate industry – BRC is promoted by Mr. Ramesh Bandi and his relatives, who have more than two decades of experience in real-estate development in the Hyderabad market. The promoter Group has developed nearly 1.35 msf of real estate space in Hyderabad over the past 15 years.

Healthy construction progress – BRC is currently developing one real-estate project named SivaHills with a total saleable area of 8,41,640 sq. ft. It had incurred around 85% of the total project cost as on September 30, 2022 and completed construction of five out of the total seven blocks with two blocks under construction. It expects to complete the project within next 12-15 months.

Favourable location of ongoing major project, SivaHills – The SivaHills project is located in Puppalaguda, Hyderabad, which is near numerous IT and other corporate offices located in Gachibowli, Financial District and Hitech City. Moreover, the project is near the Outer Ring Road, a 158 km eight-lane expressway encircling Hyderabad city.

Credit challenges

Moderate cover from committed cash flows and significant dependence on future sales for construction – The committed cash flow cover remained moderately at 37 % as on September 30, 2022. The pending project cost of ~Rs. 42 crore is expected to be funded by Rs. 17.78 crore of pending receivables from the sold area and the remaining from future sales as on September 30, 2022. There is a high dependence on future sales for completion of construction of ongoing project.

Exposure to cyclical in the real-estate industry– Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which make the company’s sales vulnerable to any downturn in real estate demand.

Geographical concentration risks arising from presence only in Hyderabad – BRC’s activities are mainly concentrated in the Hyderabad real-estate market, which expose the company to geographical concentration risks. Any adverse development in the region can impact execution and sales of its projects.

Liquidity position: Stretched

The liquidity profile remains stretched with high dependence on customer advances for construction of the ongoing projects. Further, utilisation of secured overdraft remained high at ~85% in twelve months ending October 2022. The pending cost of Rs. 41.2 crore is expected to be funded by Rs. 17.8 crore of pending receivables from the sold area and the remaining from future sales.

Rating sensitivities

Positive factors – The rating may be upgraded in case of a significant increase in scale of operations for the company.

Negative factors – The rating may be downgraded if there is a significant slowdown in execution of projects or any pressure on bookings and collections, leading to a moderation in collections. Additionally, any sizeable debt-funded capex or sizeable investment towards any new project, impacting its coverage metrics and liquidity profile, would be negative triggers.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real-estate Entities
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company’s standalone financial statements

About the company

BRC Infra Pvt. Ltd. (BRC Infra) was incorporated as CRK Infrastructure Developers Pvt Ltd (CRK) in July 2007. CRK was taken over by BRC Infra’s promoters, Mr. Ramesh Bandi and his relatives, in 2011 and the name was changed to BRC Infra Pvt. Ltd. At present, it is executing one major project called BRC Sree Hemadurga SivaHills. SivaHills is a gated community spread over 7.74 acres of land, which was taken under the joint development agreement (JDA) for construction of 774 flats (seven blocks with three blocks having 120 flats each and four blocks having 96 flats each) at an estimated construction cost of Rs. 234.6 crore in Puppalaguda, Hyderabad, in which the company’s share is 500 flats (67%). The promoters, in individual capacity, have constructed more than 1.35 msf of residential spaces, across Hyderabad, under Hemadurga brand.

Key financial indicators (audited)

Standalone	FY2021	FY2022
Operating income	24.5	23.9
PAT	0.7	1.1
OPBDIT/OI	10.0%	11.3%
PAT/OI	3.0%	4.7%
Total outside liabilities/Tangible net worth (times)	3.8	2.9
Total debt/OPBDIT (times)	3.9	3.4
Interest coverage (times)	3.0	3.2

Source: Company's financial statements; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2021	Date & rating in FY2021	Date & rating in FY2020
				Dec 23, 2022	Sep 17, 2021	Sep 17, 2020	July 16, 2019
1 Secured Overdraft	Long-term	6.00	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Secured Overdraft	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Secured Overdraft	NA	NA	NA	6.00	[ICRA]BB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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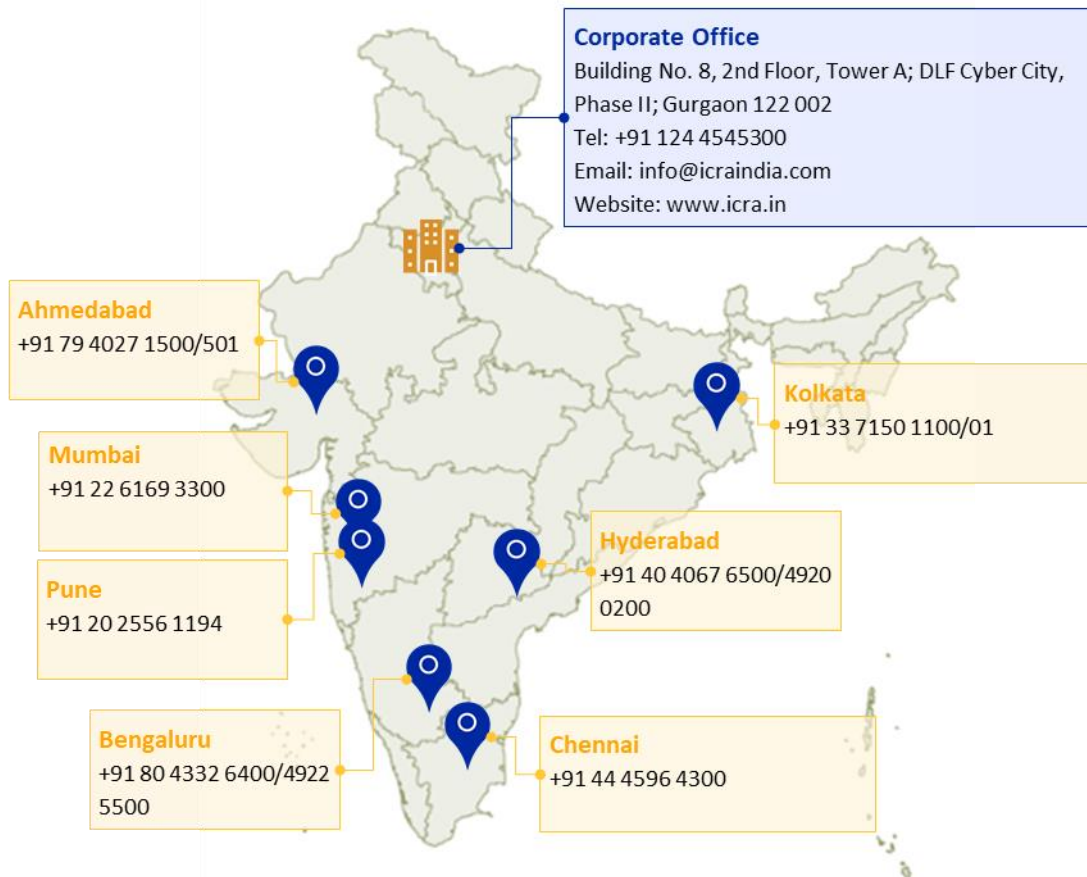
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