

March 26, 2024

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 – 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 for BRC Infra Pvt. Ltd (BRC) factors in the healthy sales and collections of the ongoing major project Hemadurga Sivahills, in Puppalaguda, Hyderabad. The company has completed six out of the total seven blocks. The remaining block C is expected to be completed by September 2024. As of December 2023, it has sold 468 flats out of their share of 500 flats and expects to sell the remaining flats in FY2025. BRC's cash flow cover (committed receivables/ (pending cost + debt outstanding)) is healthy at 82%. ICRA 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 notes the extensive experience of 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 is, however, constrained by the company's small scale of operations. Once the ongoing projected is expected to be completed by September 2024, BRC does not have any major projects in pipeline. It is expected to launch a small project of 30,000 sft in FY2025. 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 exposes the company's sales to any downturn in real estate demand.

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

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 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.

Healthy cash flow cover and favourable location of ongoing project – The SivaHills project is located in Puppalaguda, Hyderabad, which is near IT companies located in Gachibowli, Financial District and Hitech City, enhancing the marketability of the project. As of December 2023, the company has sold 468 flats out of their share of 500 flats and expects to sell the remaining flats in FY2025. Its cash flow cover (committed receivables/ (pending cost + debt outstanding)) is healthy at 82%.

Credit challenges

Small scale of operations; no major upcoming launches – The rating is, however, constrained by BRC's small scale of operations. Once the ongoing projected is expected to be completed by September 2024, the company does not have any major projects in pipeline. It is likely to launch a small project of 30,000 sft in FY2025.

Geographical concentration risks exposure to cyclicity in the real estate industry – The company is exposed to high geographical concentration risks as the projects are limited to the city of Hyderabad. The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure because of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes BRC's sales to any downturn in demand and competition within the region from various established players.

Liquidity position: Adequate

The company's liquidity position is adequate. It has low debt levels with Rs. 6.9 crore outstanding as of December 2023. BRC's estimated cash flow from operations can comfortably service the debt obligations due in FY2024 and FY2025.

Rating sensitivities

Positive factors – The rating may be upgraded in case of a significant increase in scale of operations of the company, while maintaining adequate leverage and debt coverage metrics on a sustained basis.

Negative factors – The rating may be downgraded if there is a material delay in receipt of pending collections or any significant increase in indebtedness or sizeable investment towards any new project, impacting its debt coverage metrics and liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
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) was incorporated as CRK Infrastructure Developers Pvt Ltd (CRK) in July 2007. CRK was taken over by BRC promoters, Mr. Ramesh Bandi and his relatives. In 2011, the name was changed to BRC Infra Pvt. Ltd. At present, it is executing one big project called BRC Sree Hemadurga SivaHills. SivaHills is a gated community spread over 7.74 acres of land. The land 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), in which the company's share is 500 flats (67%).

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	23.7	70.9
PAT	1.1	10.7
OPBDIT/OI	10.6%	21.4%
PAT/OI	4.8%	15.1%
Total outside liabilities/Tangible net worth (times)	2.9	0.9
Total debt/OPBDIT (times)	3.6	0.4
Interest coverage (times)	2.9	20.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CRISIL	CRISIL B+/Stable; ISSUER NOT COOPERATING	December 19, 2023

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 26, 2024	Dec 23, 2022	Sep 17, 2021	Sep 17, 2020
1 Overdraft	Long-term	6.00	4.74	[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 – 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	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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Branches



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