

May 21, 2024

BBM Estates Private Limited: [ICRA]A(CE) (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term loan	273.00	[ICRA]A(CE)(Stable); Assigned
Total	273.00	
Rating Without Explicit Credit Enhancement		[ICRA]A-

*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]A(CE)(Stable) rating

The [ICRA]A(CE)(Stable) rating is based on the strength of the corporate guarantee provided by Bommidala Enterprises Private Limited (BEPL, rated [ICRA]A (Stable) / [ICRA]A2+) for the rated borrowing programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, BEPL.

Adequacy of credit enhancement

For the ratings, ICRA has assessed the attributes of the guarantee issued by BEPL in favour of the said instrument. The guarantee is legally enforceable, irrevocable, has a well-defined invocation and payment mechanism, is unconditional and covers the entire amount and tenure of the rated instrument. Taking cognisance of the above, ICRA has assigned [ICRA]A (CE) rating to the said instrument against the unsupported rating of [ICRA]A-. In case the ratings of the guarantor change in the future, the same would be reflected in the rating of the aforesaid instrument. The rating of this instrument may also change if, in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity, a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor. Further, any significant deterioration in the financial risk profile of BBM Estates Private Limited (BBM Estates) would result in a change in its rating.

Salient covenants of the rated facility

- » The company cannot enter into any merger/amalgamation or buyback without the prior intimation to the bank. The company is also prohibited from changing the nature of the business.
- » There should be no change in the ownership/control/management of the company or any arrangement where the business of the company is directly or indirectly controlled by a third person.
- » Prepayment for first three years is not allowed, however, post that prepayment is allowed without any preclosure charges.
- » The company will be required to obtain prior permission from the bank before raising further loans or facilities against the assets offered as security.
- » The company must insure the properties (except land) offered as securities and submit the policy within 30 days of disbursement of loan.
- » The company needs to create DSRA(Debt Service Reserve Account) (for interest and principal) upfront.

Key rating drivers and their description

Credit strengths

Corporate guarantee from the parent company, BEPL – The rating draws comfort from the irrevocable and unconditional corporate guarantee from its parent, BEPL for the company's Rs. 273.0-crore sanctioned term loan. BBM Estates has also received financial support in the form of unsecured loans from the parent group and promoters in the past.

Favourable locations of the properties – The company has a property on Old Mahabalipuram Road, Chennai's prime IT corridor located next to the World Trade Center, Chennai. The location commands premium office rentals, which would facilitate healthy rentals, going forward as well. The company acquired a property in FY2022 in a key industrial area of Bengaluru, which is used as a factory-cum-warehouse with a leasable area of ~0.23 million sq. ft. (apart from the vacant land of 41,400 sq. ft.). Given the location-specific of the properties, finding a new tenant would be relatively easier, in case the existing clients vacate.

Healthy financial profile – BBM Estates has a comfortable capital structure and coverage metrics despite an increase in debt in FY2022 to fund the acquisition of the new property in Bengaluru. The rentals of the company in FY2025 are expected to be in the range Rs. 40-42 crore. The company's debt metrics are comfortable as indicated by estimated cumulative DSCR of over 1.4 times.

Credit challenges

Modest scale of operations – The company's scale of operations is modest, as indicated by the total leasable area (excluding the vacant land) of ~0.52 million sq. ft. and rentals of Rs. 39.20 crore in FY2024.

Exposed to high geographical and customer concentration risks – The company has two properties, one in Chennai and the other one in Bengaluru. The Chennai property has been rented out to a single tenant, M/s. Trimble Information Technologies India Private Limited. Overall, the company has five clients, exposing its revenues to the risk from loss of customers to competitive properties. However, the prime locations of the properties mitigate the risk to an extent.

Liquidity position: Adequate

For the [ICRA]A(CE)(Stable) rating: Adequate

The Bommidala Group's liquidity is adequate with a buffer of Rs. 100.0-120.0 crore in the working capital limits and expected retained cash flows of Rs.70.0-72.0 crore against repayment obligations of Rs.10.0-11.0 crore in FY2025 and the expected capex of Rs. 18.0-20.0 crore. Given the seasonality in tobacco availability (which peaks during the auction season), the liquidity buffer is lower during the peak procurement season. As of December 2023, the company had stocked up a sizeable inventory, which led to moderation in cash balances.

For the [ICRA]A- rating: Adequate

BBM Estates' liquidity position is adequate with healthy rental inflows, which will be sufficient to service its debt commitments. The company has deposits of Rs.15-Rs.20 crore in various banks and mutual funds. Besides, the company has undrawn debt of Rs. 105 crore. However, utilisation of undrawn debt towards acquisition of new properties could affect the company's liquidity and would be a key monitorable.

Rating sensitivities

Positive factors – The rating could be upgraded if there is an improvement in the credit profile of the guarantor, BEPL.

Negative factors – The rating could be downgraded if there is a deterioration in the credit profile of the guarantor or weakening of support extended by BEPL. Further pressure on the rating could emerge if there is a sharp deterioration in earnings or a significant rise in debt beyond the estimates, resulting in moderation of debt coverage metrics.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Realty-Lease Rental Discounting(LRD)
Parent/Group Support	The assigned rating for BBM Estates is based on an unconditional, irrevocable corporate guarantee extended by BEPL
Consolidation/Standalone	The rating is based on the standalone financials of the company

About the company

BBM Estates Private Limited, a 57% subsidiary of Bommidala Enterprises Private Limited, owns a commercial property named Varalakshmi Tech Park on Chennai's Old Mahabalipuram Road with eight floors and a built-up area of 2,90,000 sq. ft., and an industrial property in Bengaluru with a total leasable area of 2,30,032 sq. ft., apart from the vacant land of 41,400 sq. ft. The company was acquired by the Bommidala Group from the Hyderabad-based GMR Group in FY2014 and was subsequently renamed BBM Estates Private Limited.

Key financial indicators (audited)

BBM Estates	FY2022	FY2023
Operating income	16.7	37.6
PAT	-0.1	16.1
OPBDIT/OI	43.4%	89.5%
PAT/OI	-0.5%	42.9%
Total outside liabilities/Tangible net worth (times)	2.2	1.8
Total debt/OPBDIT (times)	19.1	4.1
Interest coverage (times)	1.9	3.3

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: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2023 (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				May 21, 2023	Feb 29, 2024	Nov 24, 2022	Aug 31, 2021
1 Term Loan-I	Long-term	168.0	88.92	[ICRA]A(CE) (Stable)	-	-	-
2 Term Loan-II	Long-term	105.0	0	[ICRA]A(CE) (Stable)	-	-	-
3 Term Loan-III	Long term	110.0	-	-	[ICRA]A(CE) (Stable); withdrawn	[ICRA]A(CE) (Stable)	[ICRA]A(CE) (Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN No.	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan-I	May-2023	NA	May-2038	168.00	[ICRA]A(CE)(Stable)
NA	Term Loan-II	April-2022	NA	April-2034	105.00	[ICRA]A(CE)(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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