

August 31, 2021

## BBM Estates Private Limited: Ratings upgraded to [ICRA]A (CE) (Stable)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based TL	110.00	110.00	[ICRA]A (CE) (Stable); Upgraded from [ICRA]A- (CE) (Stable)
Total	<b>110.00</b>	<b>110.00</b>	

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

The [ICRA]A (CE) (Stable) rating is based on the strength of the corporate guarantee provided by Bommidala Enterprises Private Limited (BEPL), the parent of BBM Estates Private Limited (BBM Estates), 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 assigning the rating, ICRA has assessed the attributes of the guarantee issued by BEPL in favour of the said instrument. While the guarantee is legally enforceable, irrevocable and unconditional and covers the entire amount and tenor of the rated instrument, it does not have a well-defined invocation and payment mechanism. Taking cognisance of the above, ICRA has assigned a rating of [ICRA]A(CE) to the said instrument against the unsupported rating of [ICRA]A-. In case the rating of the guarantor were to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well. The rating of this instrument may also undergo a change in a scenario whereby, in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity or there is 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 would also result in a change in rating of BBM Estates.

#### Salient covenants of the rated facility

- » The guarantor hereby irrevocably, absolutely and unconditionally guarantees to the lender, in case of failure of the borrower to repay the loan obligations
- » The guarantor shall on demand forthwith pay to the lender without demur or protest and without set off/deductions/adjustment the amount of guaranteed obligations
- » Any demand made by the lender to Guarantor by way of demand notice shall be final conclusive and binding on the Guarantor
- » The obligations of guarantor are joint and several and independent of the obligations of the borrower
- » The deed shall be a continuing one and shall remain in full force and effect till such time the guarantor repays in full the guaranteed obligations
- » The guarantor shall not be entitled to the right conferred on sureties notwithstanding anything contained in Sections 133,134,135 139 and 141 of the Indian Contract Act, 1872 and waives any of its rights therein

## 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 for its Rs. 110.0 crore sanctioned term loan from its parent, Bommidala Enterprises Private Limited (rated [ICRA]A(Stable)/[ICRA]A1).

**Favourable property location**– The property is located in Old Mahabalipuram Road, which is Chennai’s prime IT corridor. The location commands relatively premium office rentals, which would facilitate healthy rentals going forward as well. Also, given the advantageous location of the property, finding a new tenant would be relatively easy in case of the existing client vacates. The company has rented out its property (Varalakshmi Tech Park) entirely to M/s. Cognizant Technology Solutions India Private Limited (CTS) since 2006. However, CTS has expressed its desire to vacate the premises and will be doing so by the end of August 2021. BBM Estates has already negotiated terms with a new tenant and the tenant is expected to move in on September 01, 2021; however, ICRA notes that the agreement is yet to be signed.

**Healthy financial profile of BBM Estates** – Owing to healthy accruals, minimal capital expenditure, and low working capital intensity, BBM Estate has comfortable capital structure and coverage metrics, with net gearing of 0.2x and net debt/OPBITDA of 0.6x for FY2021 (as per unaudited financials). Also, its operating margin and net margin continued to be healthy at 97.5% and 63.5% in FY2021, respectively, and its RoCE remained strong at 18.5% for FY2021.

### Credit challenges

**Modest scale of operations** – By virtue of owning only a single property, the company’s scale of operations continues to be modest with revenues of Rs. 19.9 crore for FY2021.

**High geographic and customer concentration risk** - The company has only one property in Chennai which has been rented out to a single tenant. This exposes BBM Estates Private Limited to risks arising from any location specific shocks and any issues arising from the customer’s end. However, prime location of the property would help in finding new tenants, if required, and mitigate the latter risk to a large extent. The current tenant, CTS, has expressed its desire to vacate the premises and will be doing so by the end of August 2021. BBM Estates has already negotiated terms with a new tenant and the tenant is expected to move in on September 01, 2021; however, ICRA notes that the agreement is yet to be signed.

## Liquidity position: Adequate

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

Bommidals group’s liquidity is **strong** with healthy retained cash flows, cash and liquid investments of ~Rs. 125 crore, working capital buffer of ~Rs. 116 crore. With respect to these sources of cash, the company has maintenance capex of ~Rs. 7 crore per annum and debt repayment obligations of ~Rs. 11 – 12 crore per annum during the period FY2022 - FY2024. This apart, the group also has undrawn LRD loan of over Rs. 70 crore as on March 31, 2021. Overall, ICRA expects BBM group to be able to meet its near-term commitments through internal sources of cash and yet be left with cash surplus.

### For the [ICRA]A- rating: Adequate

The company’s liquidity position **continues to be adequate** with healthy cash flows, cash and liquid investments of Rs. 20.5 crore as against debt repayment obligations of Rs. 6.0 crore and capex of ~Rs. 0.5 crore in FY2022. With undrawn term loan limits of over Rs. 70 crore for any potential investments, ICRA expects the company to be able to meet its medium-term commitments through internal sources of cash and yet be left with cash/liquid investments surplus.

## Rating sensitivities

**Positive factors:** The ratings could be upgraded if there is an improvement in the credit profile of the guarantor, Bommidala Enterprises Private Limited.

**Negative factors:** The ratings may be downgraded if there is a deterioration in the credit profile of the guarantor or weakening of the form of support extended by the guarantor, Bommidala Enterprises Private Limited. Further negative pressure on the rating could emerge with sharp deterioration in the earnings or significant rise in debt beyond the estimates, resulting in moderation of debt coverage metrics.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Approach - Explicit third-party support</a> <a href="#">Debt backed by Lease Rentals (LRD-Lease Rental Discounting Loans)</a>
Parent/Group Support	Parent Company: Bommidala Enterprises Private Limited (rated [ICRA]A (Stable)/[ICRA]A1. For arriving at the ratings, ICRA has taken a consolidated view of Bommidala Enterprises Private Limited (BEPL) and Premier Tobacco Packers Private Limited (PTPPL), given the close operational, financial and management linkages between the group entities. This apart, ICRA has also consolidated the financials of BBM Estates Private Limited (BBM Estates) and Bbm Travel Retail Limited (BBM Travel) given the support extended by BEPL. The assigned rating for BBM Estates Private Limited is based on an unconditional, irrevocable corporate guarantee extended by BEPL.
Consolidation/Standalone	The rating is based on the company's standalone financials

## About the company

BBM Estates Private Limited owns a single commercial property under the name Varalakshmi Tech Park in Chennai's OMR with G+7 floors and a built-up area of 320,645 sq. ft. It has been leased out to Cognizant Technology Solutions India Private Limited since 2006. The company was acquired by the Bommidala group from the Hyderabad-based GMR Group in FY2014 and subsequently renamed as BBM Estates Private Limited.

## Key financial indicators

Bommidala Group Consolidated	FY2020	FY2021*
Operating Income (Rs. crore)	19.1	19.9
PAT (Rs. crore)	11.5	12.6
OPBDIT/OI (%)	96.7%	97.5%
PAT/OI (%)	60.1%	63.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.6	0.6
Total Debt/OPBDIT (times)	1.4	1.7
Interest Coverage (times)	8.4	8.7

\*Provisional Financials

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

## About the guarantor

BEPL is primarily engaged in sale of cigarettes and cut rag tobacco blends targeted for export markets. The company sells under 60 own brands including Ruby, Winston and Lucky Gold. Apart from this, BEPL also does contract manufacturing for players in foreign destinations. BEPL does not own any manufacturing facilities and the manufacturing is outsourced to a group company Hilton Tobacco Packers Private Limited

BEPL is part of the Bommidala group which has interests in tobacco, IT, health foods and logistics business. Premier Tobacco Packers Private Limited (rated [ICRA]A (Stable)/ [ICRA]A1) is the other group entity engaged in processing of raw tobacco and caters to BEPL and export markets. In January 2020, BEPL had decided to separate its SEZ operations and operate under Bbm Travel Retail Limited (BBM Travel). BBM Travel is engaged in distribution of cigarettes (Marlboro brand owned by Philip Morris), liquor (FVodka from FTV and brands of the Edrington group) and confectionery items (Kraft Foods) to retail shops and distributors, mainly in Indian sub-continent and some South East Asian markets through a Special Economic Zone - SEZ unit at Cochin.

## Key financial indicators of the Group (BEPL + PTPPL + BBM Estates + BBM Travel)

Bommidala Group Consolidated	FY2020	FY2021*
Operating Income (Rs. crore)	553.0	453.7
PAT (Rs. crore)	42.8	48.0
OPBDIT/OI (%)	10.9%	14.7%
PAT/OI (%)	7.7%	10.6%
Total Outside Liabilities/Tangible Net Worth (times)	0.6	0.5
Total Debt/OPBDIT (times)	0.9	1.0
Interest Coverage (times)	10.1	14.5

\*Provisional Financials

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	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Aug 31, 2021	May 15, 2020	Apr 05, 2019	-
1	Long Term - Fund Based TL	Long-term	110.0	32.4	[ICRA]A (CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]A-(SO) (Stable)	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term - Fund Based TL	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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long Term - Fund Based TL	Sep-2019	NA	Sep-2031	110.00	[ICRA]A (CE) (Stable)

Source: Company

#### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
BBM Estates Private Limited	100.0%	Full Consolidation

Source: Company

## ANALYST CONTACTS

**Shamsher Dewan**

+91 124 4545328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Srikumar K**

+91 44 4596 4318

[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Nithya Debbadi**

+91 40 4067 6515

[nithya.Debbadi@icraindia.com](mailto:nithya.Debbadi@icraindia.com)

**Nareshkumar N**

+91 95972 60257

[nareshkumar.n@icraindia.com](mailto:nareshkumar.n@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.