

December 03, 2021

Brigade Enterprises Limited – Ratings reaffirmed; Change in limits

Summary of rating(s) action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating action
Long-term Fund-based – Term Loan	1,912.00	1,668.00	[ICRA]A+(Stable); reaffirmed
Long-term Fund-based - CC/OD	50.00	50.00	
Long-term Unallocated Limits	198.00	442.00	
Short-term Non-fund Based sublimit of CC/OD	(40.00)	(40.00)	[ICRA]A1 reaffirmed
Short-term Fund based	40.00	40.00	[ICRA]A1 reaffirmed
Total	2,200.00	2,200.00	

*Instrument details are provided in Annexure-1

Rationale

The ratings remain unchanged at the earlier rating of [ICRA]A+(Stable)/A1 as Brigade Enterprises Limited's (BEL) performance is in line with expectations.

The ratings consider BEL's continued healthy performance in the residential real estate operations in H1FY2022. The company achieved sales of 2.04 million square feet (msft) in H1FY2022, a growth of 50% over H1FY2021, despite the impact of Covid-19 pandemic in the first quarter. The receivables from the sold area in the completed and ongoing projects cover 64% of the pending cost and the debt outstanding in this segment as on September 30, 2021. Though pandemic related lockdowns have resulted in temporary disruptions in operations, the large and organised residential real estate developers such as BEL have benefited from improving market share during this period. The trend of market consolidation and planned project pipeline is expected to translate into healthy sales in the Group's ongoing and upcoming projects in the near to medium term, further strengthening the cash flows. Besides, the ratings continue to factor in BEL's established position in the Bangalore real estate market and its diversified presence across residential, commercial and hospitality segments.

The ratings, however, are constrained by the near-term challenges in the leasing and hospitality segments owing to the impact of second wave of Covid-19 pandemic. Though the company derived steady rental income from its stabilized leasing assets, the retail mall operations and hospitality segments recorded de-growth in its revenues in FY2021 due to covid-related disruptions. The second wave of the pandemic is likely to constrain recovery in these segments in FY2022 as well. The leverage and debt service coverage ratios in the leasing segment are impacted by the sub-optimal leasing tie-up in 3.4 msf of properties completed in FY2021. Leasing in these projects has been slow owing to subdued economic activity and extended period of work-from-home adopted by the corporates. Nonetheless, ICRA notes that the debt associated with most of these properties have been refinanced into longer tenure loans to a large extent, which reduces the cash flow mismatches in the near to medium term. The ratings are also constrained by the cyclicity risk inherent in the real estate business.

The Stable outlook reflects ICRA's expectation that the Group's strong track record, its continued diversification in to other geographic locations, and expected growth in annuity income as new properties stabilize will support the operational and financial risk profile in the near to medium term.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Hotel Rating approach - Consolidation Rating approach - Lease Rental Discounting Real Estate
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of BEL and its subsidiaries given the close business, financial and managerial linkages among them. Refer- Annexure-2

About the company

BEL, a real estate development company, is promoted by Mr. M.R. Jaishankar and his family. The Brigade Group has completed and delivered a total area of more than 72 mn sqft, comprising over 255 residential, commercial and hospitality projects. The company has established itself as one of the major diversified real estate developers in Bangalore. At present, it is developing 18.01 msft (BEL's share – 13.73 msft) of real estate projects (by saleable area), 2.1 msft (BEL's share – 2.1 msft) of leasing development and a hospitality project with a total of 151 keys. Though BEL's operations are mainly concentrated in Bangalore, it is developing few projects in other cities such as Chennai, Hyderabad, Mysore, Kochi, Mangalore and GIFT City.

Key financial indicators (audited) - Consolidated

	FY2020	FY2021	H1FY22
Operating Income (Rs. crore)	2632.0	1950.0	1135.0
PAT (Rs. crore)	112.4	-99.0	-99.0
OPBDIT/OI (%)	25.3	24.2	26.7
PAT/OI (%)	4.3	-5.1	-8.7
Total Outside Liabilities/Tangible Net Worth (times)	4.0	4.5	4.2
Total Debt/OPBDIT (times)	6.9	8.5	13.6
Interest Coverage (times)	2.0	1.4	1.3

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			
		Type	Amount Rated (Rs. crore)	Amount Outstanding # (Rs. crore)	Date & Rating in		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Dec 3, 2021	Aug 2, 2021			
1	Term Loans	Long Term	1,668	1,912	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Overdraft	Long Term	50.00	28.14	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	-
3	Unallocated Limits	Long Term	442.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
4	LC / BG *	Short Term	(40.00)	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
5	WCTL*	Short Term	40.00	40.00	[ICRA]A1	[ICRA]A1	-	-	-

as on March 31, 2021; * - Letter of credit / bank guarantee; WCTL – Working Capital Term Loan

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term– Term loan	Simple
Long-term– CC/OD	Simple
Short-term – Non-fund based	Very simple
Short-term – Fund based	Very Simple
Unallocated	Not applicable

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/Lender name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
ICICI Bank	Term loan	FY2013-FY2021 @	-	FY2036&	11	[ICRA]A+(Stable)
Jammu & Kashmir Bank	Term loan				61	
RBL Bank Ltd	Term loan				42	
South Indian Bank	Term loan				32	
Kotak Mahindra Investments Ltd	Term loan				30	
Axis Bank	Term loan				70	
Axis Bank	Term loan				65	
Axis Bank	Term loan				32	
State Bank of India	Term loan				387	
Federal Bank	Term loan				79	
Karur Vysya Bank Ltd	Term loan				28	
Federal Bank	Term loan				124	
Allahabad Bank	Term loan				592	
Jammu & Kashmir Bank	Term loan				35	
Standard Chartered Bank	Term loan				80	
	Total Term loan				1,668	
Kotak Mahindra Bank	Overdraft	-	-	-	50.00	[ICRA]A+(Stable)
NA	Unallocated Limits	-	-	-	442.00	[ICRA]A+(Stable)
Kotak Mahindra Bank	Letter of Credit/ Bank Guarantee	-	-	-	(40.00)	[ICRA]A1
Kotak Mahindra Bank	Working Capital Term Loan	-	-	-	40.00	[ICRA]A1

@ Represents loans sanctioned between FY2013 and FY2021

& Represents the farthest maturity date among the various maturity dates for different term loans

Source: Brigade Enterprises Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Brigade Enterprises Limited (Holding Company)	-	Full Consolidation
<u>Subsidiary Companies</u>		
BCV Developers Private Limited	50.01%	Full Consolidation
Brigade Properties Private Limited	51%	Full Consolidation
Perungudi Real Estates Private Limited	51%	Full Consolidation
SRP Prosperita Hotel Ventures Limited	50.01%	Full Consolidation
Orion Property Management Services Limited	100%	Full Consolidation
Brigade Hospitality Services Limited	100%	Full Consolidation
WTC Trades and Projects Private Limited	100%	Full Consolidation
Brigade Tetrarch Private Limited	100%	Full Consolidation
Brigade Estates and Projects Private Limited	100%	Full Consolidation
Brigade Infrastructure and Power Private Limited	100%	Full Consolidation
Celebrations, LLP	95%	Full Consolidation
Brigade (Gujarat) Projects Private Limited	100%	Full Consolidation
Mysore Projects Private Limited	100%	Full Consolidation
Brigade Innovations, LLP	99.80%	Full Consolidation
Brigade Hotel Ventures Limited	100%	Full Consolidation
Augusta Club Private Limited	100%	Full Consolidation
Brigade Flexible Office Spaces LLP	100%	Full Consolidation

Source: the company; **Note:** ICRA has taken a consolidated view of the parent (BEL), its subsidiaries and associates while assigning the ratings.

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