

February 28, 2023

## Breal Estate One Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	61.00	61.00	[ICRA]BBB-(Stable); reaffirmed
<b>Total</b>	<b>61.00</b>	<b>61.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation continues to factor in the favourable location of Breal Estate One Private Limited's (BEPL) commercial property in Sector 136, Noida, near the Greater Noida Expressway and the metro line. The rating draws comfort from the company's strong liquidity position, comprising around Rs. 23 crore of cash and cash equivalent as on December 31, 2022, which have been earmarked for debt servicing. These funds are adequate to comfortably cover the next 24 months of principal and interest servicing of its existing debt. The rating notes its operational linkages with J.M. Baxi Group (the group), as the asset is being used as a captive office for various Group companies.

However, the rating continues to be constrained by the company's modest scale of operations, the moderate occupancy levels for the asset of 73% as on December 31, 2022, and the tenant concentration risk with top five tenants accounting for 81% of the leasable area. Further, BEPL, being a single-property company, is exposed to asset-concentration risks. The rating is also constrained by the modest debt coverage indicators with estimated debt service coverage ratio (DSCR) of below 1 times during FY2023-FY2026 due to sizeable debt obligations when compared to the rental collections. Nonetheless, the risk is mitigated by the company's strong liquidity position.

The Stable outlook reflects in ICRA's opinion that BEPL will continue to benefit from its significant operational linkages with J.M. Baxi Group, enabling it to achieve improvement in occupancy and rental rates.

### Key rating drivers and their description

#### Credit strengths

**Strong operational linkages with J. M. Baxi Group** - BEPL is a part of the J.M. Baxi Group, one of the leading end-to-end logistics players in the country with a long operating history. BEPL has significant operational linkages with the Group. The Group entities are the tenants of BEPL's commercial property. In the past, the promoters have also demonstrated financial support to the company.

**Strong liquidity supported by fund infusion by promoter/group company in H1 FY2022**- The company received funds infusion of Rs. 28.50 crore from the promoter/group entity in H1 FY2022. Of the Rs 28.50 crore fund infusion, Rs. 17.50 crore came from K Steamship Agencies Private Limited in the form of preference share capital and Rs. 11.00 crore was in the form of unsecured loans from Mr. Krishna Kotak, the director and the promoter of the J.M. Baxi Group. These funds have been earmarked for debt servicing. As on December 31, 2022, it had cash and cash equivalents of around Rs. 23 crore, of which majority has been earmarked for debt servicing. These funds are sufficient to comfortably cover BEPL's principal and interest obligations for the next 24 months.

**Operational property with favourable location**– BEPL has developed and operates a Grade-A office building in Sector-136, Noida. The asset is being used as a captive office for various Group companies with the current occupancy of 73% as on

December 31, 2022 against 63% as on September 30, 2021. The asset enjoys a favourable location with close proximity to the Greater Noida Expressway and the metro line.

### Credit challenges

**Modest scale of operations with moderate occupancy levels** - The company's scale of operations remains modest, as it operates a single commercial property with 0.98 lakh sq ft of office area. The occupancy level of the property remains moderate at 73% as on December 31, 2022 (63% as on September 30, 2021). The office space has several group companies as its tenants, at present, with short lease tenure of 11 months which are renewed every year. No lease arrangements have been signed with any external parties as on date. The ability to tie up leases for the remaining portion at adequate rent rates will remain important from the credit perspective.

**Modest coverage indicators for existing debt** – The company had a debt outstanding of Rs. 44 crore as on December 31, 2022 with a pending tenure of five years. The debt coverage indicators for the existing debt at the current occupancy and rental levels are modest, with estimated DSCR of below 1 times during FY2023-FY2026 due to sizeable debt obligations when compared to the rental collections. However, the risk is mitigated by BEPL's strong liquidity with FD of ~Rs. 23 crore, currently being earmarked for the debt servicing as against annualized debt obligations of ~Rs. 11 crore.

**Exposure to tenant and asset concentration risk**- BEPL, being a single-property company, is exposed to asset concentration risks. Further, the operations are exposed to tenant concentration risks with top five tenants occupying 81% of the leasable area.

### Liquidity position: Strong

BEPL had cash and cash equivalents of around Rs. 23 crore outstanding as on December 31, 2022, supported by the infusion of funds from the promoter group in H1 FY2022. The cashflow from operations are likely to be inadequate to fully cover the debt obligations, however, shortfall is likely to be met comfortably by available liquidity. BEPL's principal repayment obligations for Q4 FY2023 and FY2024 are Rs. 1.6 crore and Rs. 7.3 crore, respectively.

### Rating Sensitivities

**Positive factors** – The rating could be upgraded in case of significant improvement in scale of operations along with improvement in the coverage metrics on sustainable basis.

**Negative factors** – The rating could be downgraded in case of any increased indebtedness or sustained decline in occupancy and/or inability to get rental escalations leading to pressure on the company's liquidity.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity

### About the company

BEPL (formerly known as Richa Cottex Private Limited) was incorporated in 2006 and was initially involved in manufacturing textiles. Subsequently, it ventured into commercial office development and constructed a Grade-A building in Sector 136, Noida. The property has 14 floors with multi-level basement parking and a total built-up area of 1,11,833 sq ft (leasable area

of nearly 98,000 sq ft). BEPL is a part of Mumbai-based J. M. Baxi Group, which was established by three individuals – Mr. J. M. Baxi, Mr. Jayantilal Kotak and Mr. Manilal Kotak. The Group has a history of 100 years in the shipping-logistics sector. It is currently managed by Mr. Krishna Kotak, Mr. Dhruv Kotak and Mr. Vir Kotak, who have extensive experience in the shipping logistics business. BEPL’s equity shares are held by Arya Offshore Services Private Limited, while K Steamship Agencies Private Limited has also invested in BEPL through preference share capital.

### Key financial indicators (audited)

BEPL	FY2021	FY2022
Operating income (Rs. crore)	7.7	9.1
PAT (Rs. crore)	-6.9	-2.4
OPBDIT/OI	58.8%	51.1%
PAT/OI	-89.2%	-26.4%
Total outside liabilities/Tangible net worth (times)	3.2	2.1
Total debt/OPBDIT (times)	12.9	13.9
Interest coverage (times)	0.7	1.2

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

Source: Company, ICRA Research

### 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 Dec 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
				Feb 28, 2023	Nov 22, 2021	Aug 20, 2020	May 31, 2019	
1	Term loans	Long-term	61.00	44.3	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)

### Complexity level of the rated instruments

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 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	Term Loan	Jan 2019	9.15%	FY2028	61.00	[ICRA]BBB-(Stable)

Source: Company

**Annexure II: List of entities considered for consolidated analysis- Not applicable**

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