

November 22, 2021

## Breal Estate One Private Limited: Rating upgraded to [ICRA]BBB- (Stable)

### 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); upgraded from [ICRA]BB+ (Stable)
<b>Total</b>	<b>61.00</b>	<b>61.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating upgrade factors in the reduction in the net debt levels of Breal Estate One Private Limited (BEPL) after the promoter group infused Rs 28.50 crore in the entity in H1 FY2022. ICRA notes that the funds have been earmarked for debt servicing.

The rating continues to take comfort from BEPL's strong parentage as it a part of the J.M. Baxi Group, which has interests in shipping, logistics and warehouse services. The rating also factors in the ready status of the project and the favourable location of the commercial property in Sector 136, Noida, in close proximity to Greater Noida Expressway and the metro line, which should aid in attracting tenants.

However, the rating is constrained by the moderate occupancy level at 62.7% (entirely occupied by Group companies) as on September 30, 2021. ICRA notes that the company has received interests from certain group companies to occupy the balance area. The ability of the company to tie up leases for the remaining portion as envisaged and at adequate rent rates remains critical from the credit perspective.

Further, BEPL, being a single-property company, is exposed to asset-concentration risks. ICRA also notes the high competition in the Noida commercial market as several commercial spaces have come up within 5 km.

The Stable outlook reflects ICRA's opinion that BEPL will continue to benefit from being a part of the J.M. Baxi Group with significant operational and financial linkages.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage with well demonstrated track record of support from the promoter 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, with the group companies being the tenants of BEPL's commercial property. In the past, the promoters have also demonstrated financial support to the company.

**Improved debt coverage indicators after fund infusion by promoter group** - The infusion of Rs. 28.50 crore by the promoters in H1 FY2022 for the purpose of debt prepayment/servicing has reduced BEPL's net debt levels. 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 J.M. Baxi Group. Considering the reduced net debt levels, the debt coverage indicators have improved and the cash flow from operations is expected to be able to service the balance debt.

**Operational property with favourable location** – The project achieved commercial operations in October 2018, eliminating execution risks. The property is located at the commercial business district of Sector 136, Noida. This is favourable for the

company as the location is in close proximity to the Noida-Greater Noida Expressway as well as the metro station and, hence, has the ability to attract tenants.

## Credit challenges

**Moderate occupancy levels with only Group tenants** – The occupancy level of the commercial property remains moderate at 62.7% as on September 30, 2021. The office space has several group companies as its tenants, at present. No lease arrangements have been signed with any external parties as on date. The ability of the company to tie up leases for the remaining portion at adequate rent rates will be critical from the credit perspective.

**High asset-concentration risk** – BEPL, being a single-property company, is exposed to asset concentration risks. ICRA also notes the intense competition in the Noida commercial market as several commercial spaces have come up within 5 km.

## Liquidity position: Adequate

BEPL had cash and cash equivalents of Rs. 30.98 crore outstanding as on September 30, 2021, supported by the infusion of funds from the promoter group. This liquidity will be used to prepay part of the debt in the near term or will be maintained to meet the debt servicing requirements in case of inadequate cash flow from operations. BEPL has a principal repayment obligation of Rs. 2.70 crore in H2 FY2022.

## Rating sensitivities

**Positive factors** – ICRA could upgrade BEPL’s rating if the company’s occupancy increases significantly at adequate rent rates, improving its cash flow and coverage metrics (DSCR of 1.2x on a sustained basis).

**Negative factors** – Any increase in the net debt level (compared to the position as on September 30, 2021) would weaken the debt coverage indicators and could result in a rating downgrade. ICRA could also downgrade BEPL’s rating if the occupancy rates fall or if there are significant delays in receiving the rental payments.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on 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

BEPL	FY2020 (Audited)	FY2021 (Provisional)
Operating Income (Rs. crore)	8.2	7.7
PAT (Rs. crore)	-7.5	-9.7
OPBDIT/OI (%)	51.0%	56.9%
PAT/OI (%)	-91.3%	-125.5%
Total Outside Liabilities/Tangible Net Worth (times)	3.6	4.0
Total Debt/OPBDIT (times)	14.6	13.3
Interest Coverage (times)	0.6	0.7

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

Note: All calculations are as per ICRA Research

## 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	Amount Outstanding as of Mar 31, 2021	Date & Rating on	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
					Nov 22, 2021	Aug 20, 2020	May 31, 2019	Apr 16, 2018	
1	Term Loans	Long-term	61.00	53.67	[ICRA]BBB- (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	

Note: Amount in Rs. crore

## 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

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

Source: BEPL

### Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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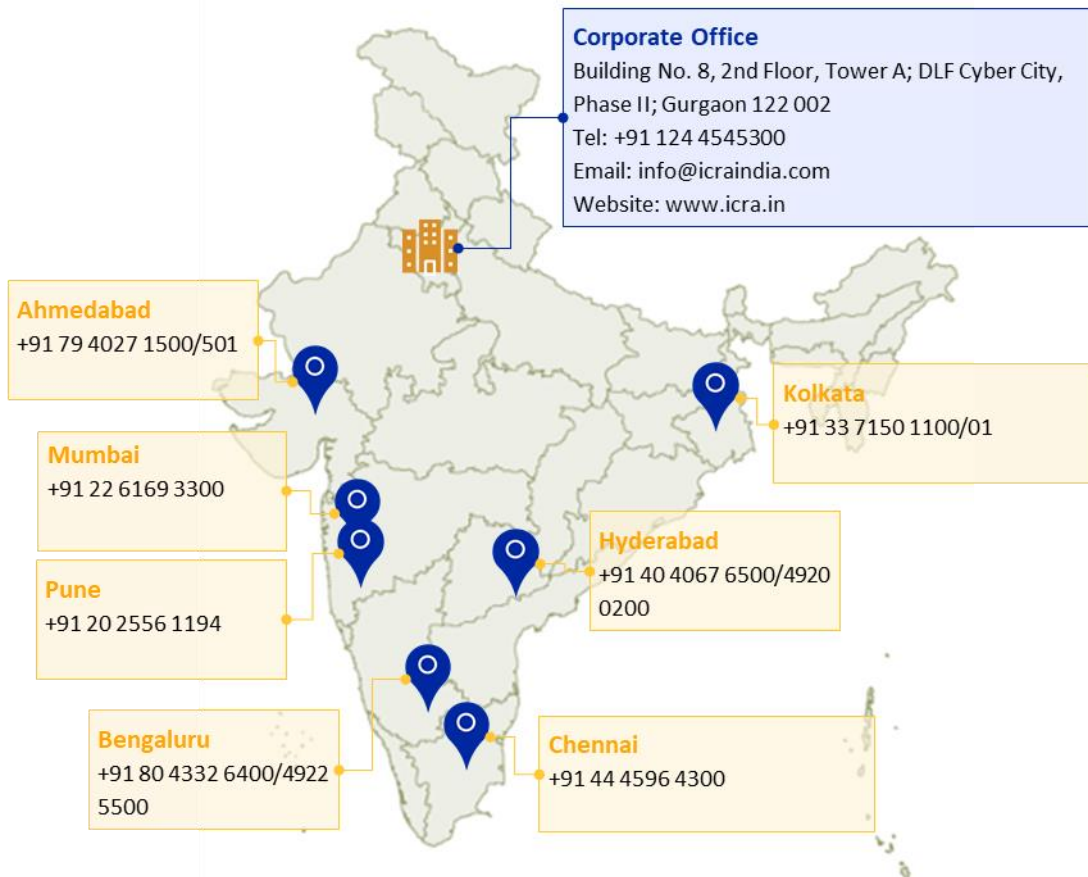
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### Branches



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