



## Press Release

**BGR Construction LLP**

**Apr 29, 2021**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities (Proposed)	100.00	Provisional IVR BBB/ Stable Outlook (Provisional IVR Triple B with Stable Outlook)	Assigned
	<b>Total</b>	<b>100.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of BGR Construction LLP comfort from its experienced promoters, presence of Escrow mechanism with DSRA and reputed tenant which gives comfort to the rental collection ability of the firm. However, these rating strengths are partially offset by vulnerability in rental collection due to nationwide lockdown and exposure to intense competition in warehouse industry.

### Key Rating Sensitivities:

#### Upward Factor:

- ✓ Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

#### Downward factor:

- ✓ Subdued industry scenario
- ✓ Vacating by any company and/or external factor leading to sustained delay in receiving rental income which affects the cash flows as projected will lead to a rating downgrade.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths



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### **Extensive experience of the management and healthy relationships with customers**

Mr. Brijesh Kumar Khandelwal is the key promoter of the firm. The partners of the firm are into the business of Logistic park facilities since 2008. They have constructed and sold approx. 70 Lacs sq. ft. of warehouses since then. Mr. Brijesh Kumar Khandelwal, Mr. Krishna Murari Murarka and Mr. Naveen Kumar Dangayach are the existing partners of the firm. The partners are well qualified and have extensive expertise in the warehouse industry which help them in gaining confidence of reputed clients.

### **Presence of Escrow Mechanism with DSRA**

BGR is required to maintain an escrow payment mechanism, wherein the designated lease payments are deposited by the tenants in the escrow account and the bank has the first charge on the lease rentals. Any surplus post the cash flow waterfall mechanism specified in the escrow account would be available for BGR. The company is also required to maintain a DSRA equivalent to one quarter of interest and principal amount. The existence of a DSRA provides a cushion against liquidity mismatches in the short term.

### **Reputed clientele**

The BGR logistic park consist of seven warehouses. The firm sold five warehouses and retain 2 warehouses in the comoplex which are currently 100% occupied by reputed clients namely, Amazon Seller services Pvt Ltd. and Kuehne + Nagel Pvt. Ltd. This minimizes the risk of timely receipt of rentals. Also, substantial investment by the tenants in the warehouse for setting up their facilities reduces the risk of non-renewal of lease agreements.

### **Key Rating Weaknesses**

#### **Vulnerability of rentals to Covid-19-induced economic downturn**

Although rental collections for the entity have not been significantly impacted till date, sustained weakness in the economic environment may impact leasing and timely rental collection in the asset. Nevertheless, the risk is partially mitigated by the strong tenant profile and the attractive location of the asset, which increases tenant stickiness.



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### **Exposure to Intense Competition**

BGRC is exposed to intense competition from various warehousing facilities operating in the surrounding areas. This could exert pressure on the rentals and occupancy rates. Any adverse movement in the rental yield will remain a key rating sensitivity.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Real Estate Companies

Rating Methodology for Structure Debt Transaction (Non Securitisation Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity - Adequate**

The liquidity profile is expected to be supported by healthy cash flow generation from rentals generated from the 100% occupied leased area, which are expected to provide adequate surplus cash flow (average surplus cash flow stood at ~124%) over the repayment obligations for the tenure of the debt. In addition to the rental income, the firm is also generating revenue from maintenance charges from common area, rental income from mezzanine area and other incomes which provides a cushion to the liquidity position. Presence of a DSRA equivalent to one quarter of interest and principal payment and an escrow structure associated with both present and proposed LRDs provides additional comfort.

### **About the Entity**

BGR Construction LLP was incorporated in 2016 as Limited Liability Partnership. The firm is engaged in the business of construction, selling and leasing of warehouses. In 2016, the firm acquired 68 acres land in Bhiwandi, Maharashtra and constructed warehouse complex with seven "Grade A" warehouses, known as "BGR Logistic Park". BGR sold five out of seven warehouses to investors with LOIs and retain two warehouses in the company.



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At present this complex is occupied by reputed companies including Amazon, Kuehne Nagel, DHL, Yusen, VIP industries, Best sellers and Parekh. The existing tenants of BGR are Amazon and Kuehne Nagel.

### Financials (Standalone):

			(Rs. crore)
For the year ended*/As on	31-03-2019	31-03-2020	
	<b>Audited</b>	<b>Audited</b>	
Total Operating Income	37.34	24.78	
EBITDA	6.90	14.96	
PAT	4.71	4.03	
Total Debt	101.18	132.22	
Tangible Net worth	5.51	7.14	
Adjusted Tangible Networkth	5.51	7.14	
EBITDA Margin (%)	18.48	60.39	
PAT Margin (%)	11.77	15.26	
Overall Gearing Ratio (x) on Book TNW	18.37	18.52	
Overall Gearing Ratio (x) on Net Adjusted TNW	18.37	18.52	

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: NA**

**Any other information: Nil**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (LRD-Proposed)	Long Term	100.00	Provisional IVR BBB/ Stable Outlook (Provisional IVR Triple B with Stable Outlook)	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Long Term Bank Facilities – Term Loan (LRD)	-	-	-	100.00	Provisional IVR BBB/ Stable Outlook (Provisional IVR Triple B with Stable Outlook)