

Press Release**Brilliant Foundation****March 24, 2020****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Proposed Term Loan (LRD Facility)	30.00	Provisional IVR BBB-/Stable Outlook (Provisional IVR Triple B minus with Stable Outlook)*	Assigned

**LRD rating -Based on proposed LRD Facility*

Details of Facilities are in Annexure 1**Detailed Rationale**

The ratings assigned are provisional (denoted by the prefix ‘Provisional’ before the rating symbol) and is subject to fulfilment of the conditions and execution of necessary transaction documents. The final rating may differ from the provisional rating in case any of the condition remains unfulfilled and/or the completed documentation is not in line with Infomerics’ expectations.

The aforesaid rating assigned to the proposed bank facilities of Brilliant Foundation derives comfort from Established brand recognition, Experienced Board of Directors, Refinancing of existing loan with a top-up loan of Rs.10.0 crore using LRD of longer tenure and finer rate of interest, Escrow mechanism and upfront creation of DSRA, Master Lease Agreement with the client, Irrevocable and unconditional guarantees of promoters and corporate guarantee of Parent company. However, the rating strengths are partially offset by the receivables being dependent on a solitary client and a lack of alternate cash flows.

Key Rating Sensitivities**Upward rating factor(s)**

- None, as it is a proposed LRD with already fixed and incorporated terms and condition i.e. rent escalation clause etc.

Downward rating factor(s)

- Any company and/or external factor leading to decline in cash flows as projected will lead to a rating downgrade.

Key Rating Drivers with detailed description

Key Rating Strengths

Established brand recognition

Brilliant Foundation is a subsidiary of Brilliant Estates Limited which a part of well know real estate group of Indore i.e. Brilliant Group. Brilliant Group is engaged in Real Estate Development for over two decades and it has constructed hotels, commercial properties, malls and industrial projects. Some of the prestigious tenants of the group include Trent, Oracle, MphasiS, HDFC bank, Maruti Suzuki, Reliance Communication, IndusInd Bank and some Government departments of states of Madhya Pradesh.

Experienced Board of Directors

Brilliant Foundation is promoted by Sanjay Choudhary, Madhuri Choudhary and Mr. Dhruvraj Choudhary. Mr. Sanjay Choudhary has more than 30 years of experience in the field of construction and long-term leasing of commercial premises and infrastructure maintenance and has founded the entire Brilliant Group. Mrs. Madhuri Choudhary has vast experience in the field of long term leasing and infrastructure maintenance and she is one of the pioneers in the development of high rise commercial/Residential buildings at Indore along with Mr. Sanjay Choudhary. Further, the Brilliant Foundation is managed by second generation of the family Mr. Dhruvraj Choudhary. All the directors are well qualified and experienced in the real estate and hospitality sectors.

Refinancing of existing loan with a top-up loan of Rs.10.0 crore using LRD of longer tenure and finer rate of interest, thus decreasing pressure on cash flows

The company has availed total term loan of Rs.20.00 Crores from Tourism Finance Corporation of India Ltd. (TFCIL) for construction of the building with a door – to – door tenor of 13 years with an interest rate of 12.25% p.a. The company is planning to refinancing the existing term loan with a top-up loan of Rs.10.0 crore in FY20 using LRD of longer tenure and finer rate of interest (i.e. less than 12.25%), thus decreasing pressure on cash flows. The construction of the school building has already been

completed and the school will start its 1st year of operation for academic session 2020-21. The company has received security deposit and lease rentals for the remaining part of building will start from 1st April, 2020.

Escrow mechanism and upfront creation of DSRA

The proposed LRD apart from the other collaterals security proposed by the lenders will be secured by maintenance of Debt Service Reserve Account (DSRA) and additional security in the form of escrow of receivables arising from the VIBGYOR school operated by Farohar Global Foundation.

Master Lease Agreement with the clients

There exists a Master Lease Agreement (MLA) between Brilliant Foundation (Lessor) which is engaged in business of development and leasing of premises in the city of Indore and its client (lessee) i.e. Farohar Global Foundation which is a public charitable Trust, Mumbai running educational institutions for operation of school in the name of VIBGYOR. The agreement clause states that the rent shall be paid by the lessee to the lessor in advance on a monthly basis by cheque/ RTGS before the 10th day of the month to which the same pertains. In the event of any delay by the lessee in making payment of the rent for the respective rent chargeable area for two consecutive months, the lessee shall be liable to bear and pay interest to the lessor on the delayed amount calculated at the rate of 18% per annum

Renewal of Master Lease Agreements and already received security deposit

The master lease agreements have been entered with VIBGYOR School operated by Farohar Global Foundation for 30 years commencing from 1st April, 2020. Lock in period in respect of the premises having rent chargeable area 71, 397 sq. ft is for 12 years w.e.f 1st April, 2020 while Lock in period in respect of the premises having rent chargeable area 64, 705 sq. Ft is for 10 years w.e.f 1st April, 2022. There is an escalation of rent at the rate of 12% per month every three years.

Irrevocable and unconditional guarantees of promoters and corporate guarantee of Parent company

Brilliant Foundation will procure, irrevocable and unconditional, joint and several, personal guarantees of Shri Sanjay Choudhary, Smt. Madhuri Choudhary, Shri Dhruvraj Choudhary and corporate guarantee of **Brilliant Estates Ltd.** for due payment of loan and payment of all

interest thereon for the proposed LRD facilities, as it has been given to term loan taken from Tourism Finance Corporation of India Ltd.

Key Rating Weaknesses

Receivables dependent on a single client and lack of alternate cash flows

The customer concentration risk will be high as it will only earn receivables from the VIBGYOR School operated by Farohar Global Foundation. It shows a very high dependence of company earnings on from only one entity. However, favourable lock in clause safeguards the cash flow to major extent

Analytical Approach &Applicable Criteria:

Standalone

Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Cash Flow Projection shows an adequate liquidity position for Brilliant Foundation post April 2020.

Cash flow is sufficient enough to cover the debt repayment obligations in the future period

About the Company

Brilliant Foundation (BF) was incorporated in the year 2009 and it is a subsidiary of Brilliant Estates Ltd. (BEL) of Indore. Brilliant Estates Limited was founded by Mr. Sanjay Choudhry with the main objective to carry out the business of real estate. Brilliant Foundation has purchased land at Scheme No.78 and constructed a building which is leased to Farohar Global Foundation, Mumbai for operation of school in the name of VIBGYOR. The construction of the building is completed and is being hand over to VIBGYOR for their interior work. The school will start its 1st year of operation for academic session 2020-21.

Financials:

In Crs.

For the year ended*/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	0.00	0.00**
EBITDA	-0.02	-0.04
PAT	-0.02	-0.02
Total Debt	10.50	10.00
Tangible Net-worth	0.96	10.98
Ratios		
EBITDA Margin (%)	NA	NA
PAT Margin (%)	NA	-148.14
Overall Gearing Ratio (x)	10.96	0.91

* Classification as per Infomerics' standards

**Rent from tenant i.e. Vibgyor School will start from 1st April 2020. Therefore, there is no income for FY 2019-20.

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities (a)	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan – LRD Facility*	Long Term	30.00	Provisional IVR BBB Minus/ Stable Outlook	--	--	--

**LRD rating based on proposed LRD Facility*

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.

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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. 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 Term Loan - LRD	NA	NA	NA	30.00	Provisional IVR BBB -/ Stable Outlook