



Press Release

Choudhary Builders Pvt. Ltd. [CBPL]

August 24, 2020

Rating

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Proposed Term Loan (LRD Facility)	21.00	Provisional IVR BBB-/Stable Outlook (Provisional IVR Triple B minus with Stable Outlook)*	Assigned
	Total	21.00 (Twenty One Crore)		

*LRD rating -Based on proposed LRD Facility

Details of facilities are in Annexure 1

Rating 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 Choudhary Builders Private Limited derives comfort from master lease agreement with the clients, established brand recognition, long standing of promoters in real estate sector, locational advantage and long term revenue visibility, renowned Lessees minimising counter party risk and refinancing of existing loan. However, the rating strengths are partially offset by receivables dependent on a single client and lack of alternate cash flows,

Key Rating Sensitivities:

Upward Rating Factor:

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



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Downward Rating Factor:

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

Detailed Description of Key Rating Drivers

Key Rating Strengths

Master Lease Agreement with the clients

There exist a Master Lease Agreement (MLA) between Choudhary Builders Pvt. Ltd. (Lessor) which is the absolute owner and in possession of premises comprising part of the basement, first floor, eighth floor and the entire fifth, Sixth and Seventh floors of a 'Multi-storeyed building called "Chetak Chambers" and the lessor Madhya Pradesh commercial tax department for a period of 37 years (Signed in 1995). CBPL has both long term lease and maintenance agreement with the tax department. There is an escalation clause too i.e. 15% at the end of every 3 years and the Lessor takes the said premises on the monthly lease for up to March 2032.

Established brand recognition

Choudhary Builders Pvt. Ltd. (CBPL) is a part of well know the group in the real estate and hospitality sector 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 Govt. of M.P.

Long standing of Promoters in real estate sector

Choudhary Builders Pvt. Ltd. was incorporated in 1985 at Indore. CBPL is owned by Brilliant Group companies which is a known company in the real estate market in Indore. The Group was founded by Mr. Sanjay Choudhary. CBPL is promoted by Sanjay Choudhary, Madhuri Choudhary, and Mr. Dhruvraj Choudhary. Mr. Sanjay Choudhary who has more than 30 years of experience in the field of construction and long-term leasing of commercial premises and infrastructure maintenance has founded the entire Brilliant Group. Mrs.



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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. All the directors are well qualified and experienced in the real estate and hospitality sectors.

Locational Advantage and long term revenue visibility

The lease agreement between CBPL and Madhya Pradesh commercial tax department was signed in the year 1995 and the agreement is valid for 37 years indicating long term revenue visibility. CBPL has both long term lease and maintenance agreement with the tax department. There is an escalation clause too i.e. the lessee takes the premises on the monthly lease and there will be an increase in the rent at 15% on the prevailing rent. Furthermore, the building is centrally located in the business district of Indore and is situated close to the Devi Ahilya Bai Holkar Airport and Indore Junction railway station

Renowned Lessees minimising counter party risk

Lessee being the commercial tax department of the state of Madhya Pradesh minimises the counterparty risk.

Refinancing of existing loan

Currently, it has Rs. 17.5 Crore of bank facility as OD –against tangible security. Entire rent from Madhya Pradesh Commercial Tax Department is deposited in an escrow account and the remaining fund is available to CBPL after meeting interest obligations. The company is planning to refinance the existing facility to LRD with a top-up loan with a finer rate of interest.

Key Rating Weaknesses

High client Concentration risk

Around 97.66% of revenue in Chetak Chambers is coming from single-tenant i.e. Madhya Pradesh Commercial tax department in FY19. Any discontinuation of the current lease agreement will impact the cash inflow of CBPL.



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

About the company

Choudhary Builders Pvt Ltd (CBPL) was incorporated in February 1985 at Indore. CBPL constructed a high rise building of 11 levels located at RNT Marg, at the centre of Indore. The project involved a total area of 1.75 lakhs Sq. Ft. The basement was built with an exclusive purpose of parking – setting the trend for basement parking in Indore. The building was constructed during the years 1989/ 92. Out of the total area, the company had sold an area of 67000 sq. Ft. and in remaining area it houses “Commercial Tax Department, Govt. of Madhya Pradesh

Financials (Standalone)

INR in Crore

For the year ended* / As on	31-Mar-19 (Audited)	31-Mar-20 (Provisional)
Total Operating Income	2.56	2.57
EBITDA	1.81	2.27
PAT	0.46	0.52
Total Debt	18.85	17.57
Tangible Net Worth	7.1	7.7
EBIDTA Margin (%)	70.83	88.43
PAT Margin (%)	17.39	20.15
Overall Gearing ratio (x)	2.64	2.30

* Classification as per Infomerics' standards



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Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities (a)	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR 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 Facility*	Long Term	21.00	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



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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 (INR Crore)	Rating Assigned/ Outlook
Proposed Term Loan - LRD	NA	NA	NA	21.00	Provisional IVR BBB -/ Stable Outlook