

January 14, 2022

## G Corp Homes Private Limited: Ratings reaffirmed; Outlook revised to Stable from Negative

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	40.0	40.0	Reaffirmed at [ICRA]BBB-; Outlook revised to Stable from Negative
<b>Total</b>	<b>40.0</b>	<b>40.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The change in outlook takes into consideration the improvement in the sales velocity and collections in Tower F of G Corp Homes Private Limited's (GCHPL) sole ongoing project, The Icon, in the current fiscal. The company has sold 32 units in the nine months of the current fiscal as against 8 units in the eighteen months preceding that, aiding in advancement in construction progress and collection efficiency for the tower. The rating also factors in the refinancing of the Rs. 44 crore term loan outstanding as of August 2021 with a new facility of Rs. 90 crore, mitigating the funding risks for the upcoming launches of towers G, H, I and J and resulting in improved liquidity position for the company. Further, the payments of the revenue share of the landowner have been deferred for 2 years with the purpose of channeling all cashflows towards construction of the upcoming development. Launch of four additional towers in the next three to six months is expected to result in steady cash flows in the medium term. The rating continues to draw comfort from the Group's established track record of operations in the real estate sector and the favourable location of the project, with proximity to Manyata Embassy Business Park.

The rating continues to be constrained by the execution and market risks for the upcoming launches. The rating also considers the risks associated with single project nature of the company and resultant exposure to the performance of the Bangalore real estate market.

### Key rating drivers and their description

#### Credit strengths

**Favourable location of GCHPL's sole residential project, 'The ICON'** – GCHPL's ongoing residential project is located at Thanisandra Main Road in North Bengaluru, with proximity to Manyata Embassy Business Park, which is one of the largest office parks in Bengaluru, thus enhancing the marketability of the project.

**G Corp Group's established track record supports market prospects** – G Corp Group has more than two decades of association with the real estate sector, with some notable projects completed in the past.

**Significant improvement in sales velocity and collections in the current fiscal** – Construction of tower F is 77% complete as of December 2021 and is estimated to be completed by March 2022. There has been an uptick in sales in the current fiscal with 32 units been sold till December 2021, as against 8 units in the preceding 18 months. Collections as a percent of sales value improved from 56% as of March 2021 to 75% as of October 2021.

## Credit challenges

**Execution and market risks associated with Phase 2** – The Phase 2 development (comprising towers F-M) has been slower than expected, with only Tower F being close to completion as on date. Phase 2 has a total saleable area of 1.5 mn sqft with an estimated project cost of Rs. 584 crore, of which Rs. 114 crore (20%) has been incurred till date. With the sanction of the new facility of Rs. 90 crore, while the funding risks for the upcoming launches of towers G, H, I and J have been mitigated to an extent, the debt for towers K, L and M is yet to be tied up, which exposes the company to funding risks apart from execution and market risks.

**Single project concentration risk** – The company’s cash inflows are entirely dependent on the booking level and the collection efficiency of THE ICON project as it is the sole residential project being developed by the company at present. Consequently, the company is exposed to variations in the demand-supply trends in the micro-market and the product category.

## Liquidity position: Adequate

GCHPL’s liquidity is adequate supported by increase in sanctioned bank lines to Rs. 90 crore, increase in sales velocity and collections of tower F as well as expected receivables from relaunch of towers G and H and launch of towers I and J. Further, deferment of landowner revenue share for two years will result in all cash inflows from sales being used solely for construction progress. The liquidity profile of the company has also supported by timely support from promoters, as demonstrated in the past.

## Rating sensitivities

**Positive factors** – The rating can be upgraded with strong sales velocity and collections in the upcoming launches of towers G, H, I and J which will mitigate their funding and execution risks.

**Negative factors** – Negative pressure on GCPHL’s rating could emerge if upcoming launches are delayed and if there is weaker-than-expected sales and collections thereby leading to strain on liquidity profile of the company.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology- Real Estate entities</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

## About the company

GCHPL, a part of G Corp Group, is undertaking its sole real estate project, The ICON, at Thanisandra in North Bengaluru. The project is spread over land measuring 19.5 acres and is being undertaken under a joint development agreement (JDA) with the land owners. The total saleable area of the project is around 2.5 mn sqft. However, the company is developing the same in phases. The first phase of the project (total saleable area of 1.0 mn sqft) is complete and handed over to the customers. The second phase has a total saleable area of 1.5 mn sqft, out of which construction in tower F (total saleable area of 0.22 mn sqft) is ongoing as on date.

### Key financial indicators

GHCPL	FY2020 (Audited)	FY2021 (Audited)	H1FY2022 (Provisional)
Operating Income (Rs. crore)	16.4	9.9	22.5
PAT (Rs. crore)	-5.0	-3.2	0.9
OPBDIT/OI (%)	-30.7%	-39.9%	3.0%
PAT/OI (%)	-30.4%	-31.7%	3.9%
Total Outside Liabilities/Tangible Net Worth (times)	1.8	2.3	2.4
Total Debt/OPBDIT (times)	-8.5	-13.6	33.0
Interest Coverage (times)	-	-8.3	-

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

**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 (Rs. crore)	Amount Outstanding as of December 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Jan 14, 2022	Aug 31, 2021	--	Feb 20, 2020	Jan 08, 2019
1	Term Loan	Long-term	40.0	40.0	[ICRA]BBB-(Stable)	[ICRA]BBB-(Negative)	--	--	[ICRA]BBB (Stable)
2	Unallocated	Long-term	--	--	--	--	--	[ICRA]BBB (Stable)	--

## Complexity level of the rated instrument - Simple

Instrument	Complexity Indicator
Long-term – Term loans	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 analyzing 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 Loans	September 2021		September 2026	40.0	[ICRA]BBB- (Stable)

Source: Company

### Annexure-2: List of entities considered for consolidated analysis - NA

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