

February 20, 2024

Gaursons India (P) Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	313.40	199.55	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Cash credit	13.81	7.95	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Unallocated	-	119.71	[ICRA]BBB+ (Stable); reaffirmed
Total	327.21	327.21	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for the bank facilities factors in the expected improvement in the Gaursons Group's¹ sales and collection in FY2024, driven by healthy sales velocity in the completed, ongoing and new project launches. In H1 FY2024, the Group sold an area of 16.3 Isf with value of Rs. 1,130 crore and collected Rs. 864 crore. It is expected to sell area with a value of Rs. 2,076 crore and achieve collection of Rs. 1,666 crore from real estate projects in FY2024 (against area sold of 40.5 Isf with value of Rs. 1,803 crore and collected Rs. 1,664 crore in FY2023). Further, the Group's cash flow adequacy cover² remains comfortable at around 79% as on September 30, 2023 (moderating from 85% as of September 2022), aided by healthy committed receivables in residential and commercial projects. ICRA expects the total debt/CFO to remain at around 2.5 times as of March 2024, supported by healthy collections.

The rating continues to derive comfort from the established market position of the Gaursons Group, with a track record of around three decades in the real estate industry, particularly in Ghaziabad, Noida and Greater Noida regions, and the Group's strong project execution and sales capabilities. The rating favourably notes the Group's diversified operations across residential, commercial, retail, education and hospitality segments.

The rating is, however, constrained by the high leverage, as measured by debt to net working capital (NWC), which increased to 226% as of March 2023 from 201% as of March 2022 and is likely to rise further due to incremental loans availed for land acquisitions in H1 FY2024. The Group's unsold finished inventory in the residential and commercial projects stood at ~Rs. 1,100 crore, where the sales velocity has been slow in some of the projects. The Group faces geographical concentration risk with most of its ongoing projects located in the National Capital Region (NCR), particularly in Noida, Greater Noida and Ghaziabad, thereby exposing it to fluctuations in a single market's performance. The Group availed incremental debt to fund the acquisition of the recently acquired land for future projects. The gross debt³ remained at ~Rs. 1,600 crore (as of December 2023). Notwithstanding, the Group's long and established track record in NCR, it remains vulnerable to the inherent cyclicity in the real estate industry, which is highly dependent on macro-economic factors, and exposes its sales to any downturn in demand.

As of September 2023, around 45% of the Group's external debt is against rental collections from the leased portfolio (including retail, hotel and education segments). ICRA expects the LRD debt/rentals of the leased portfolio to be ~5.5 to 6 times in the medium term. Moreover, the Group is exposed to volatility in occupancy levels or rent rates.

¹ ICRA has taken a consolidation approach of GIPL and its subsidiaries and associate given the close business, financial and managerial linkages between the group entities along with a common treasury team.

² Cash flow adequacy ratio = Receivables from sold area / (pending construction cost + debt outstanding from the real estate segment)

³ Gross Debt includes debt across all segments including Residential, Corporate Debt, Commercial, Retail, Hospitality and LRD

While reaffirming the rating, ICRA has taken note of the ongoing litigation for the compensation for the local farmers for a land transaction done in the past and litigation pertaining to the dues towards local authorities. The matter is currently sub judice. Further, ICRA has considered the Income Tax (IT) department's search operations on the Group's properties in FY2022. As per ICRA's discussions with the management, the matter is still under investigation. ICRA will continue to monitor these developments and take rating action, if required, as more clarity emerges on these issues.

The Stable outlook on the long-term rating reflects ICRA's expectation that the sales and collections from the Group's ongoing and upcoming projects will remain comfortable, while maintaining healthy cash flow adequacy cover. ICRA expects that the occupancy levels in commercial lease portfolio is likely to remain healthy and the Group will be able to maintain healthy debt protection metrics.

Key rating drivers and their description

Credit strengths

Healthy sales velocity and collections – The Group's sales and collection are expected to improve in FY2024, driven by healthy sales velocity in the completed, ongoing and new project launches. In H1 FY2024, the Group has sold an area of 16.3 lsf with value of Rs. 1,130 crore and collected Rs. 864 crore. It is estimated to sell area with a total value of Rs. 2,076 crore and achieve collection of Rs. 1,666 crore from real estate projects in FY2024 (against area sold of 40.5 lsf with value of Rs. 1,803 crore and collected Rs. 1,664 crore in FY2023).

Comfortable cash flow adequacy ratio – The Group's cash flow adequacy cover remains comfortable at around 79% as on September 30, 2023 (moderating from 85% as of September 2022), supported by healthy committed receivables in residential and commercial projects. ICRA expects the total debt/CFO to remain around 2.5 times as of March 2024 (when compared to 2.06 times as of March 2023), supported by healthy collections.

Established real estate developer in NCR with diversified operations – The rating continues to derive comfort from the established market position of the Gaursons Group, with a track record of around three decades in the real estate industry, particularly in Ghaziabad, Noida and Greater Noida regions, and the Group's strong project execution and sales capabilities. The rating favourably notes the Group's diversified operations across residential, commercial, retail, education, and hospitality segments.

Credit challenges

High leverage – The leverage as measured by Debt to Net working capital (NWC) increased to 226% as of March 2023 against 201% as of March 2022. It is likely to increase further due to incremental loans availed for land acquisitions in H1 FY2024. The Group availed incremental debt to fund the acquisition of recently acquired land for future projects. The gross debt remained at ~Rs. 1,600 crore (as of December 2023).

As of September 2023, around 45% of the Group's external debt is against rental collections from the leased portfolio (including retail, hotel and education segments). ICRA expects the LRD debt/rentals of the leased portfolio to be ~5.5-6 times in the medium term. Moreover, the Group is exposed to volatility in occupancy levels or rent rates.

Geographical concentration risk – At present, the Group has around 55.81 lsf of area being developed in and around NCR, particularly in Noida, Greater Noida and Ghaziabad, thereby exposing it to fluctuations in a single market's performance. However, ICRA notes that the projects cater to a diverse end-user segment.

Execution and market risks – The Group's unsold finished inventory in the residential and commercial projects stood at ~Rs. 1,100 crore. The sales velocity has been slow in some of the projects. Notwithstanding the Group's long and established track record in NCR, it remains vulnerable to the inherent cyclicity in the real estate industry, which is highly dependent on macro-economic factors, and exposes its sales to any downturn in demand.

Liquidity position: Adequate

The Group's liquidity position is adequate. It has free cash and equivalents of Rs. 170 crore as of September 2023, and the cash flow adequacy ratio in real estate projects remains healthy at 78% as of September 2023. It has scheduled debt repayment of around Rs. 41 crore for H2 FY2024 and Rs. 153 crore in FY2025, which can be met through the expected cash flows from operations. Also, the Group has undrawn bank facilities of around Rs. 166 crore as of September 2023.

Rating sensitivities

Positive factors – Significant increase in scale of operations, higher geographical diversification of revenues, along with improvement in leverage and liquidity position on a sustainable basis, along with improvement in total debt/NWC ratio could lead to a rating upgrade. In addition, the improvement in the debt profile through reduced share of high cost debt will be a key rating monitorable.

Negative factors – Negative pressure on the rating could arise in case of subdued sales or collections or delays in project execution or further increase in debt due to high unbudgeted debt-funded investments in land or investments in Group companies, adversely impacting the leverage or liquidity will be a negative trigger. Further, a drop in cash flow adequacy ratio below 60%, on a prolonged basis, will be a negative trigger. Downward pressure on the rating may also emerge if there is a material decline in rental collections from the leased portfolio adversely impacting the coverage metrics for a considerable period.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has considered consolidated financials of GIPL and includes the entities mentioned in Annexure II, given the close business, financial and managerial linkages between the group entities along with a common treasury team. For arriving at the rating, ICRA has taken a consolidated view of Gaursons India (P) Ltd., Gaursons Hi-Tech Infrastructure Private Limited, Gaursons Realtech Private Limited, Fastidious Buildmart Private Limited and Gaursons Promoters Private Limited, as these entities are involved in real estate operations, have operational synergies with common management and common treasury team, and have financial linkages along with cashflow fungibility.

About the company

Gaursons India (P) Ltd. (GIPL) was incorporated in 1995 as a private limited company and was later converted into a public limited company in 2000. It is promoted by Mr. B. L. Gaur and his two sons Mr. Rahul Gaur and Mr. Manoj Gaur. Till date, the Group has delivered around ~60 msf of real estate projects in Delhi/NCR, particularly in Ghaziabad and Noida regions. The company and its subsidiaries are currently executing multiple residential, commercial, and retail projects in Ghaziabad, Noida and Greater Noida.

Key financial indicators (audited)

GIPL – Consolidated	FY2022	FY2023
Operating income	1,814.3	2,895.6
PAT	175.4	246.4
OPBDIT/OI	17.7%	15.5%
PAT/OI	9.7%	8.5%
Total outside liabilities/Tangible net worth (times)	33.9	15.7
Total debt/OPBDIT (times)	6.3	4.3
Interest coverage (times)	2.8	3.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore, 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	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Feb 20, 2024	December 30, 2022	September 16, 2021	April 27, 2020	
1 Term loan	Long Term	199.55	199.55	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	
2 Cash credit	Long Term	7.95	--	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	
3 Unallocated	Long Term	119.71	-	[ICRA]BBB+ (Stable)	-	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Cash credit	Simple
Long-term – Unallocated	Not Applicable

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 are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan I	March 21, 2022	-	FY2038	107.89	[ICRA]BBB+ (Stable)
NA	Term loan II	March 21, 2022	-	FY2028	91.66	[ICRA]BBB+ (Stable)
NA	OD/Working capital limits	November 29, 2021	-	-	7.95	[ICRA]BBB+ (Stable)
NA	Unallocated	NA	NA	NA	119.71	[ICRA]BBB+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	GIPL Ownership	Consolidation Approach
Gaursons India (P) Ltd	-	-
Gaursons Hi-Tech Infrastructure Private Limited	100%	Full Consolidation
Gaursons Realty Private Limited	55%	Full Consolidation
Gaursons Sportswood (P) Limited	42%	Full Consolidation
Gaursons Realtech (P) Limited	100%	Full Consolidation
Gaursons Promoters (P) Limited	100%	Full Consolidation
U.P. Township Infra (P) Limited	100%	Full Consolidation
Hare Krishna Tourism Development Pvt Ltd	100%	Full Consolidation
Gaursons Infratech Pvt Ltd	100%	Full Consolidation
Glorious Vanijya Pvt Ltd	100%	Full Consolidation
Atulyam Realtech Pvt Ltd	100%	Full Consolidation
Fastidious Buildmart Pvt Ltd	100%	Full Consolidation
Galaxy Infraheights Pvt Ltd	99%	Full Consolidation
Gaursons Mega Projects Private Limited	100%	Full Consolidation
Gaursons Educational Institutions Private Limited	**	Full Consolidation
IB Vogt Solar Four Private Limited	26% *	Full Consolidation
Golf Lake LLP	- \$	Full Consolidation
Gold Realtors Private Limited	- \$	Full Consolidation
IP Estate Private Limited	- \$\$	Full Consolidation

Source: Company; * Balance held by Gaursons Hi-tech infrastructure Private Limited; **the debt is guaranteed by GIPL; \$ 85% held by Gaursons Promoters Private Limited (balance by Mr. Manoj Gaur); \$\$: 48.01% held by Gaursons Developers Private Ltd and SKA Developers each and balance 3.8% by Mr. Pawan Gupta

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