

March 28, 2024

Godrej Green Homes Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	900.00	950.00	[ICRA]A (Positive); Reaffirmed/assigned for enhanced amount
Total	900.00	950.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action for Godrej Green Homes Private Limited (GGHPL) factors in the expected improvement in its debt protection metrics, backed by an increase in committed occupancy to 85% as of February 2024 from 39% as of March 2023. The occupancy is projected to further improve in FY2025 on account of the healthy leasing pipeline. Consequently, the leverage as measured by debt/annualised NOI is estimated to improve significantly to 4.6 times as of March 2024 (PY: 12.5 times) and 4.3 times as of March 2025. GGHPL's debt coverage indicators are likely to remain comfortable in the medium term. The rating continues to note the favourable location of the property with good connectivity. The rating takes into account GGHPL's strong sponsor profile, whose shareholders are Godrej Properties Limited (GPL, rated [ICRA]AA+ (Stable)/A1+) and GBTC I (Master) Pte. Ltd, a real estate investment fund that is managed by Godrej Fund Management Pte Ltd, which lends high financial flexibility to the company.

The rating is, however, constrained by the geographical and asset concentration risks due to the single asset nature of development. The top five tenants occupy 36% of the total leasable area as of February 2024, exposing GGHPL to moderate tenant concentration risk, which heightens the market risk in case of any significant vacancy/non-renewal of leases. Nonetheless, these risks are partially offset by the reputed profile of the tenants and the investments made by the tenants towards fit outs. While the rated instrument does not have a debt service reserve, the comfortable debt coverage metrics and high financial flexibility for the company partly mitigates the risk. The debt coverage ratios remain susceptible to material changes in occupancy and interest rates.

Key rating drivers and their description

Credit strengths

Healthy increase in occupancy levels and expected improvement in debt protection metrics – The committed occupancy increased to 85% as of February 2024 from 39% as of March 2023. The occupancy is expected to further improve in FY2025 on account of its healthy leasing pipeline. Consequently, the leverage as measured by debt/annualised NOI is estimated to improve significantly to 4.6 times as of March 2024 (PY: 12.5 times) and 4.3 times as of March 2025. GGHPL's debt coverage indicators are likely to remain comfortable in the medium term.

Attractive location of the property – GGHPL has developed Godrej Two, a commercial real estate property located in Vikhroli, Mumbai. The larger development includes Godrej One, an operational commercial property, as well as residential towers. The upcoming Line 6 of the Mumbai Metro connecting Andheri in the western suburbs to Vikhroli – Eastern Express Highway is expected to further improve the connectivity. The location of the property and the high quality of development are likely to support the demand prospects.

Strong sponsor profile – GGHPL's shareholders are GPL and GBTC I (Master) Pte. Ltd, a real estate investment fund that is managed by Godrej Fund Management Pte Ltd. GPL is a leading real estate developer with a track record of asset development

across segments such as residential and commercial real estate. GBTC I Fund has raised equity from reputed investors with the mandate of investing in high quality commercial real estate assets. The strong sponsor profile lends high financial flexibility to the company.

Credit challenges

Single asset concentration and moderate tenant concentration risks – The company is exposed to geographical and asset concentration risks due to the single asset nature of the development. Further, the top five tenants occupy 36% of the total leasable area as of February 2024, thereby exposing GGHPL to moderate tenant concentration risks. Nonetheless, these risks are partially offset by the reputed profile of the tenants and the investments made by the tenants towards fit outs.

Lack of DSRA and vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – There is no DSRA lien marked to the company’s lenders in line with the sanctioned terms. Nonetheless, the comfortable debt coverage metrics and high financial flexibility partly mitigates the risk. The debt coverage ratios remain susceptible to material changes in occupancy and interest rates.

Liquidity position: Adequate

GGHPL’s liquidity position is adequate, with free cash balance of Rs. 6.5 crore as on March 31, 2023. The company has a debt repayment obligation of Rs. 30.7 crore in FY2024 and Rs. 40.5 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a healthy increase in occupancy resulting in improvement in debt coverage and leverage metrics. Specific credit metrics that could lead to a rating upgrade include five-year average DSCR greater than 1.4 times on a sustained basis.

Negative factors – The rating may be downgraded if there is a material decline in occupancy, or if there is significant increase in indebtedness resulting in weakening of debt protection metrics. Specific credit metrics that could lead to a rating downgrade include five-year average DSCR less than 1.25 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in December 2013, GGHPL’s shareholders are Godrej Properties Limited and GBTC I (Master) Pte. Ltd (managed by Godrej Fund Management Pte Ltd). The SPV owns the commercial real estate project called Godrej Two, located in Vikhroli, Mumbai. The property is a part of an integrated township (The Trees) being developed by the Group. GPL and GBTC I hold 50% stake each in the company.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	59.9	79.0
PAT	-165.7	-136.1
OPBDIT/OI	52.2%	61.1%
PAT/OI	-276.6%	-172.3%
Total outside liabilities/Tangible net worth (times)	13.5	-36.2
Total debt/OPBDIT (times)	40.7	27.6
Interest coverage (times)	0.2	0.4

Source: Company, ICRA Research

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2024)		Chronology of rating history for past 3 years					
			Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021
				Mar 28, 2024	Mar 01, 2024	Feb 17, 2023	Dec 23, 2022	Sep 20, 2021		
1 Term loans	Long term	950.0	802.9	[ICRA]A (Positive)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	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 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 1	Jun-2021	NA	May-2033	300.0	[ICRA]A (Positive)
NA	Term loan 2	FY2023	NA	Dec-2034	300.0	[ICRA]A (Positive)
NA	Term loan 3	FY2024	NA	Oct-2036	300.0	[ICRA]A (Positive)
NA	Term loan 4	FY2024	NA	Sep-2036	50.0	[ICRA]A (Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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