November 29, 2024

Godrej Green Homes Private Limited: Rating upgraded to [ICRA]A+ from [ICRA]A; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	950.00	950.00	[ICRA]A+; upgraded from [ICRA]A and outlook revised to Stable from Positive
Total	**950.00**	**950.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade 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 100% as of November 2024 from 85% as of February 2024 (39% as of March 2023). Consequently, the leverage as measured by debt/annualised NOI is estimated to remain comfortable below 5.0 times in the medium term (FY2024: 4.3 times). GGHPL's debt coverage indicators are likely to remain comfortable in the medium term. The rating notes the favourable location of the property with good connectivity, which has resulted in healthy ramp-up in occupancy. ICRA takes note of 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 exceptional 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 38% of the leased area as of September 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 large investments made by the tenants towards fit outs. While the rated instrument does not have a debt service reserve, the comfortable debt coverage metrics, track record of maintaining adequate liquidity cushion and exceptional financial flexibility for the company partly mitigate the risk. The debt coverage ratios remain susceptible to material changes in occupancy, rental yield and interest rates.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will sustain the robust occupancy for its property and maintain comfortable debt protection metrics.

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 100% as of November 2024 from 85% as of February 2024 (39% as of March 2023). Consequently, the leverage as measured by debt/annualised NOI is estimated to remain comfortable below 5.0 times in the medium term (FY2024: 4.3 times). 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 lends exceptional financial flexibility – 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 commercial real estate assets. The strong sponsor profile lends exceptional 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 38% of the leased area as of September 2024, thereby exposing GGHPL to moderate tenant concentration risks. Nonetheless, these risks are partially offset by the reputed profile of the tenants and the large investments made by the tenants towards fit outs.

Lack of DSRA and vulnerability of debt coverage ratios to changes in occupancy levels, rental yield and interest rates – There is no DSRA lien marked to the company's lenders in line with the sanctioned terms. Nonetheless, the comfortable debt coverage metrics, track record of maintaining adequate liquidity cushion and exceptional financial flexibility partly mitigate the risk. The debt coverage ratios remain susceptible to material changes in occupancy levels, rental yield and interest rates.

Liquidity position: Adequate

GGHPL's liquidity position is adequate, with cash and cash equivalents of Rs. 23.2 crore as of June 2024. The company has debt repayment obligations of around Rs. 104 crore in FY2025 and Rs. 121 crore in FY2026, which can be comfortably serviced through its estimated cash flow from operations. It does not have any expansion plans in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a material reduction in indebtedness resulting in Debt/NOI of less than 4 times and five-year average DSCR of over 1.6 times, while maintaining robust occupancy levels on a sustained basis.

Negative factors – Negative pressure on the rating could emerge if there is any material decline in the occupancy or significant increase in indebtedness adversely impacting the debt protection metrics and liquidity position. Specific credit metric that could lead to a rating downgrade includes five-year average DSCR falling below 1.4 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 special purpose vehicle (SPV) owns the commercial real estate project called Godrej Two, having a total leasable area of 1.15 million square feet (msf) 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)

	FY2023	FY2024
Operating income	79.0	113.1
PAT	-136.1	-113.2
OPBDIT/OI	61.1%	64.7%
PAT/OI	-172.3%	-100.1%
Total outside liabilities/Tangible net worth (times)	-36.2	-9.7
Total debt/OPBDIT (times)	27.6	18.6
Interest coverage (times)	0.4	0.6

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

Note: GGHPL follows IndAS and key financial ratios are not a true reflection of actual cashflows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**29-NOV-2024**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long-term - Term loan - fund-based	Long Term	950.00	[ICRA]A+ (Stable)	01-MAR-2024	[ICRA]A (Positive)	23-DEC-2022	[ICRA]A (Stable)	20-SEP-2021	[ICRA]A (Stable)
			-	28-MAR-2024	[ICRA]A (Positive)	17-FEB-2023	[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-I**	Jun-2021	NA	May-2033	300.0	[ICRA]A+ (Stable)
NA	**Term loan-II**	FY2023	NA	Dec-2034	300.0	[ICRA]A+ (Stable)
NA	**Term loan-III**	FY2024	NA	Oct-2036	300.0	[ICRA]A+ (Stable)
NA	**Term loan-IV**	FY2024	NA	Sep-2026	50.0	[ICRA]A+ (Stable)

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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About ICRA Limited:

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