

July 23, 2024

Gopalan Enterprises: [ICRA]BBB+ (Stable) assigned for enhanced amount; rating reaffirmed for the existing facilities

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	61.64	150.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Long-term Fund-based – Cash credit	200.00	200.00	[ICRA]BBB+ (Stable); reaffirmed
Total	261.64	350.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Gopalan Enterprises' (GE) adequate sales and collections for its ongoing residential projects and improvement in rentals for retail malls resulting in a comfortable leverage with estimated total debt/cash flow from operations of around 1.7 times as of March 2025 (PY: 2.1 times) and comfortable debt coverage metrics in FY2024-FY2025. The company's collections from the residential projects are estimated to be at Rs. 250-260 crore in FY2025 (PY: Rs. 245-250 crore) and the rental inflows from retail malls are likely to remain stable at around Rs. 50-54 crore in FY2025. The rating considers the Gopalan Group's (Gopalan Enterprises (India) Pvt. Ltd (GEIPL, rated [ICRA]A- (Stable) holds majority stake in GE) established position and track record of project completion and deliveries in the Bangalore real estate market and its diversified presence across residential real estate and retail malls, including operation of multiplexes and co-working spaces. Further, GE is expected to receive substantial compensation from Bangalore Metro Rail Corporation Limited (BMRCL) for land acquisition, which was owned GE. ICRA expects GEIPL to provide timely financial support to GE, if need arises, given their financial linkages and GEIPL's reputation sensitivity to default.

The rating, however, is constrained by GE's modest scale of operations in the residential real estate segment with estimated collections of ~Rs. 250-260 crore in FY2025. The company is exposed to moderate execution risk for its ongoing projects as ~35% of the total project cost is yet to be incurred as of January 2024. It is exposed to market risk associated with under-construction and upcoming residential real estate projects. Further, the cash flow adequacy cover for its ongoing residential projects as measured by committed receivables/(pending construction cost + debt outstanding) is moderate at 33% as of January 2024. The company is exposed to execution, funding, and market risks in the under-development commercial project – E Park – with a total area of 4 million sft, wherein there is no pre-leasing and ~95% of the total construction cost is yet to be incurred as of March 2024. This project is expected to be funded through internal accruals, LRD loan on rentals of exiting malls and financial support from GEIPL. GE is also exposed to the inherent cyclicity in the residential real estate industry, geographical concentration pertaining to the Bangalore market and remains vulnerable to external factors.

The Stable outlook reflects ICRA's expectation that GE will continue to maintain adequate sales velocity in its ongoing residential projects, along with stable operational portfolio of the retail malls and low leverage.

Key rating drivers and their description

Credit strengths

Low leverage and comfortable debt coverage metrics – The company's adequate sales and collections for its ongoing residential projects and improvement in rentals for retail malls resulted in a comfortable leverage with total debt/cash flow

from operations of around 1.7 times as of March 2025 (PY: 2.1 times) and favourable debt coverage metrics in FY2024-FY2025. The low leverage provides sufficient headroom to draw additional LRD loans, if required.

Established market position in Bangalore real estate market – The Gopalan Group (GEIPL (rated [ICRA]A-(Stable) holds majority stake in GE) is one of the established real estate developers in Bangalore with a track record of more than 30 years of operations, project completion and deliveries. The Group has significant land bank located in and around Bangalore that supports its development prospects in the region. The Gopalan Group has a healthy brand position and an established track record of project completion and deliveries.

Diversified revenue portfolio with presence in residential real estate and commercial retail malls – GE generates revenue primarily from the sale of flats from the residential real estate segment, lease income from the commercial properties and income from multiplexes. Collections from the residential segment is expected to increase to ~Rs. 250-260 crore in FY2025, while the annualised rent from commercial segment stands at ~Rs. 50-54 crore for FY2025. It is likely to receive substantial compensation from BMRCL for acquisition of certain land, which was owned by GE.

Credit challenges

Modest scale of operations; exposure to market risk and execution risk for residential segment – GE has a modest scale of operations in the residential real estate segment with estimated collections of ~Rs. 250-260 crore in FY2025. The company is exposed to moderate execution risk for its ongoing projects as ~35% of the total project cost is yet to be incurred as of January 2024. It faces market risk associated with the under-construction and upcoming residential real estate projects. Further, the cash flow adequacy cover for its ongoing residential projects as measured by committed receivables/(pending construction cost + debt outstanding) is moderate at 33% as of January 2024.

Exposure to execution, market and funding risks for under-construction commercial project – At present, GE is developing a large commercial office project–E Park (4 Towers), in Mysuru, being developed in a phased manner with a total area of 4 msf. There is no pre-leasing and ~95% of the total construction cost is yet to be incurred as of March 2024. The project is expected to be funded through internal accruals, LRD loan on rentals of exiting malls and financial support from GEIPL.

Exposure to cyclicity in real estate industry and geographical concentration risk – Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which exposes its sales to any downturn in real estate demand. In addition, GE is mainly concentrated in the Bangalore real estate market, which exposes it to geographical concentration risk. Any adverse development in the region can impact execution and sales of its projects.

Liquidity position: Adequate

GE's liquidity profile is adequate with unencumbered cash and bank balances of around Rs. 58.5 crore as of March 2024. The average utilisation of the fund-based working capital facilities is around 90% in the last 12 months ending March 2024. While the company does not have any principal repayment obligations, the interest obligations are estimated to be comfortably met from its cash flow from operations in FY2025.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant increase in its scale of operations and cash flow from operations, backed by higher sales velocity in the residential real estate segment, while maintaining comfortable leverage and debt coverage metrics.

Negative factors – The rating might be downgraded in case of any significant decline in cash flows or weak sales velocity in the residential projects resulting in strain in liquidity or higher leverage. Any considerable increase in indebtedness resulting in deterioration of debt coverage metrics will be a negative factor. The rating might be downgraded in case of weakening of linkages with GEIPL, or if there is a deterioration in the credit profile of GEIPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Realty- Lease Rental Discounting
Parent/Group support	The rating considers implicit support from the Group company, GEIPL, which holds majority stake of 78.3% in GE and the balance is held by promoters of GEIPL. ICRA expects GEIPL to provide financial support to GE, if need arises, given the financial linkages and GEIPL's reputation sensitivity to default. Further, it has provided corporate guarantee to one of the term loans of GE.
Consolidation/Standalone	Standalone

About the company

Gopalan Enterprises (GE) is one of the flagship entities of the Gopalan Group, with Gopalan Enterprises (India) Pvt. Ltd (GEIPL) being the other major company. The Gopalan Group was set up in 1985 by Mr. C. Gopalan, an architect and first-generation entrepreneur. GE is involved in real estate with presence in residential, commercial and entertainment (multiplexes) business. Most of the projects are in and around Bangalore.

Key financial indicators (audited)

GE Standalone	FY2022	FY2023
Operating income	149.7	264.2
PAT	-9.5	38.6
OPBDIT/OI	22.8%	30.5%
PAT/OI	-6.3%	14.6%
Total outside liabilities/Tangible net worth (times)	0.9	1.5
Total debt/OPBDIT (times)	9.0	3.8
Interest coverage (times)	1.2	2.8

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 (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
		(Rs. crore)	July 23, 2024	May 04, 2023	Apr 04, 2023	-	Feb 28, 2022
1 Term loan	Long term	150.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)
2 Cash credit	Long term	200.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	[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

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	Cash credit	NA	NA	NA	200.00	[ICRA]BBB+ (Stable)
NA	Term loan – I	2022	-	2027	30.77	[ICRA]BBB+ (Stable)
NA	Term loan – II	2022	-	2027	19.90	[ICRA]BBB+ (Stable)
NA	Term loan – III	2017	-	2026	7.30	[ICRA]BBB+ (Stable)
NA	Term loan – IV	2015	-	2025	3.67	[ICRA]BBB+ (Stable)
NA	Term loan – V	-	-	-	88.36	[ICRA]BBB+ (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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