

March 01, 2024

## Godrej Green Homes Private Limited: Rating reaffirmed; outlook revised to Positive from Stable

### 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	900.00	[ICRA]A (positive); reaffirmed and outlook revised to Positive from Stable
<b>Total</b>	<b>900.00</b>	<b>900.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The revision in outlook to Positive 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 77% as of November 2023 from 39% as of March 2023. The occupancy is projected to further improve to 90% by 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 47% of the total leasable area as of November 2023, 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 77% as of November 2023 from 39% as of March 2023. The occupancy is expected to further improve to 90% by 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 47% of the total leasable area as of November 2023, 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	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty - Lease Rental Discounting (LRD)</a>
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)

Consolidated	FY2022	FY2023
<b>Operating income</b>	59.9	79.0
<b>PAT</b>	-165.7	-136.1
<b>OPBDIT/OI</b>	52.2%	61.1%
<b>PAT/OI</b>	-276.6%	-172.3%
<b>Total outside liabilities/Tangible net worth (times)</b>	13.5	-36.2
<b>Total debt/OPBDIT (times)</b>	40.7	27.6
<b>Interest coverage (times)</b>	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	Current rating (FY2024)			Chronology of rating history for past 3 years			
	Amount rated (Rs. crore)	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	
1 Term loans	Long term	900.0	802.9	[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)

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**

## ANALYST CONTACTS

**Rajeshwar Burla**  
+91 40 6939 6443  
[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Anupama Reddy**  
+91 40 6939 6427  
[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**Abhishek Lahoti**  
+91 40 6939 6433  
[abhishek.lahoti@icraindia.com](mailto:abhishek.lahoti@icraindia.com)

**Prateek Agarwal**  
+91 8013703303  
[prateek.agarwal@icraindia.com](mailto:prateek.agarwal@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



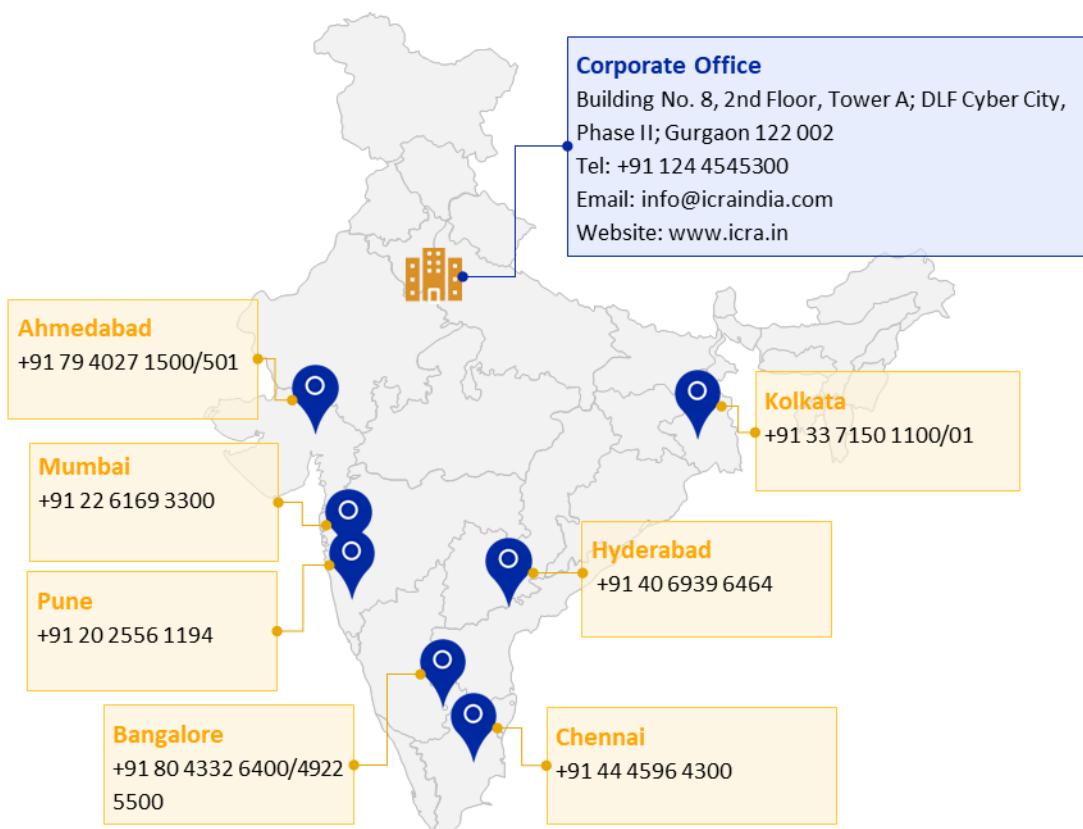
### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.