July 23, 2024

Gopalan Enterprises (India) Pvt. Ltd: [ICRA]A- (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	298.90	690.81	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long -Term- Unallocated	-	566.10	[ICRA]A- (Stable); assigned
Total	**298.90**	**1256.91**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Gopalan Enterprises (India) Pvt. Ltd (GEIPL)[1] factors in the comfortable leverage and debt coverage metrics, backed by an increase in rental inflows of the commercial real estate portfolio, adequate collections from the residential projects and an improvement in hotel income in FY2025 with the recent commencement of the hotel in Bekal, Kerala. Consequently, the cash flow from operations are estimated to remain adequate in FY2025 (PY: Rs. 248 crore). Despite the debt-funded capex towards the upcoming commercial office projects resulting in an increase in total external debt by ~15% as on March 2025, the leverage metrics as depicted by the total debt (TD)/cash flow from operations (CFO, including commercial, residential and hotel operations) is estimated to be comfortable at around 3-3.5 times as of March 2025 (PY: 3 times). The rating derives strength from GEIPL's established position in the Bangalore real estate market and its diversified revenues from the commercial office segment, residential segment, hospitality and retail real estate segment, including operation of multiplexes. It has a healthy brand position and an established track record of project completion and leasing of office spaces to reputed corporates. The rating considers the availability of large land parcels with the Gopalan Group, which supports the future development prospects.

The rating, however, is constrained by the Group's exposure to execution, funding, and market risks for the under-construction commercial office space projects – Fortune City (4.5 msf), Bangalore and E Park (4 msf), Mysore. Both the projects are being undertaken across four phases with total construction cost for Fortune City at ~Rs. 1,500 crore (88% yet to be incurred) and E Park at Rs. 920 crore (95% yet to be incurred) as of March 2024. The proposed funding mix for the projects is in the debt to equity ratio of 1.13:1, for which the company is likely to raise LRD debt on the existing and future rentals, which is yet to be tied up. While the phase 1 (1 msf) of Fortune City is at advanced stage of completion with 100% pre-leasing, the leasese for the remaining phases of this project and the entire leasable area in E Park are yet to tied up and remain exposed to market risk. However, the Group has a healthy track record of leasing, which mitigates this risk to an extent. It faces execution, funding and market risks associated with the ongoing and upcoming residential projects. The company remains exposed to geographical concentration risk, as the operations are primarily concentrated in Bangalore. GEIPL's revenues from the commercial segment are exposed to adverse macro-economic and external conditions, which could impact their operations. The debt coverage metrics continues to remain exposed to volatility in occupancy and interest rates.

[1] GEIPL's consolidated financials includes standalone financials of Gopalan Enterprises (India) Pvt. Ltd (GEIPL) and standalone financials of Gopalan Enterprises (GE).

The Stable outlook reflects ICRA's expectation that the company will benefit from the steady operational portfolio with healthy occupancy levels and adequate ramp-up in leasing for the upcoming commercial office projects and sustain the comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Comfortable leverage and coverage metrics – GEIPL's increase in rental inflows of the commercial real estate portfolio by 5% (PY: ~Rs. 210 crore), adequate collections of Rs. ~255 crore (PY: ~Rs.250 crore) from the residential real estate projects and an improvement in hotel income by 38% in FY2025 (PY: ~Rs. 55 crore) with the recent commencement of hotel in Bekal, Kerala resulting in adequate cash flow from operations. Despite the debt funded capex towards upcoming commercial office projects resulting in an increase in total external debt by ~15% as on March 2025, the leverage metrics – Total Debt (TD)/Cash flow from Operations (CFO including commercial, residential and hotel operations) is estimated to be comfortable around 3-3.5 times as on March 2025 (PY: 3 times) along with comfortable debt coverage metrics.

Diversified revenue portfolio with presence in commercial and hospitality segments – GEIPL generates revenue from different segments, namely lease income from the commercial property (office and retail mall), residential segment, operations of multiplexes and hospitality. It also has two under-construction commercial office space projects – Fortune City (4.5 msf), Bangalore and E Park (4 msf), Mysore. It has a 212-key hotel, located in Bangalore, operating under management contract with Accor Group under the brand – Grand Mercure. GEIPL has completed construction of 82 rooms and 69 villas hotel in Bekal, Kerala in Q4 FY2024 and it is expected to be operational w.e.f. August/September 2024 under Taj brand.

Established market position in Bangalore real estate market – GEIPL is one of the established real estate developers in Bangalore with a track record of more than 30 years of operations. The Group has a significant land bank located in and around Bangalore that supports its development prospects in the region. The company has a healthy brand position and an established track record of project completion.

Credit challenges

Exposure to execution and funding risks – The under-development commercial office space projects – Fortune City (4.5 msf), Bangalore and E Park (4 msf), Mysore, are being undertaken across four phases with total construction cost for project Fortune City at ~Rs. 1,500 crore (88% yet to be incurred) and project E Park at Rs. 920 crore (95% yet to be incurred) as of March 2024. The proposed funding mix for the projects is in the debt to equity ratio of 1.13:1, for which the company is likely to raise LRD debt on existing and future rentals, which is yet to be tied up. GEIPL plans to launch residential projects, which exposes it to execution and funding risks. However, ICRA takes comfort from the company's track record of project execution and sales.

Exposure to market risks – The company is exposed to market risk associated with the ongoing and upcoming residential projects. While the phase 1 (1 msf) of Fortune City is in the advanced stage of completion with 100% pre-leasing, leases for the remaining phases of this project and the entire leasable area at E park are yet to tied up and remain exposed to market risk. However, the Group has a healthy track record of leasing, which mitigates this risk to an extent.

Geographical concentration risk and sensitive to external market factors – GEIPL remains exposed to geographical concentration risks, as the operations are primarily concentrated in Bangalore. Further, its revenues from the commercial and residential segments are exposed to adverse macro-economic and external conditions, which could impact their operations. The debt protection metrics continue to remain exposed to volatility in occupancy and interest rates.

Liquidity position: Adequate

The company's liquidity profile is adequate, with consolidated unencumbered cash and bank balance of ~Rs. 102 crore as of March 2024. It has repayments of Rs. 68.1 crore in FY2025, which are expected to be comfortably serviced by the cash flow from operations. GEIPL has undrawn sanction LRD limit of Rs, 175 crore of March 2024. The company is likely to incur capex of ~Rs. 150 crore in FY2025, which is likely to be met by a mix of debt and internal accruals.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant increase in scale of operations, ramp-up of occupancy of under-construction portfolio resulting in improvement in debt protection metrics and liquidity position on a sustained basis.

Negative factors – The rating might be downgraded in case of any material decline in occupancy and/or significant increase in indebtedness resulting in weakening of debt coverage and leverage metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty- Lease Rental Discounting Hotels Realty - Commercial/Residential/Retail
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated financials of GEIPL and GE have been considered, given the common promoters as well as management and operational and financial linkages among the entities.

About the company

Gopalan Enterprises (India) Pvt. Ltd (GEIPL) is one of the flagship entities of the Gopalan Group, with Gopalan Enterprises (GE) being the other major company. The Gopalan Group was set up in 1985 by Mr. C Gopalan, an architect and first-generation entrepreneur. The company is involved in the business of construction and development of real estate projects and operating office space, malls, hotel and other entertainment activities including bowling and cinema.

Key financial indicators (audited)

GE& GEIPL Consolidated	FY2022	FY2023
Operating income	161.8	226.7
PAT	30.8	57.2
OPBDIT/OI	64.2%	63.2%
PAT/OI	19.0%	25.2%
Total outside liabilities/Tangible net worth (times)	1.3	1.1
Total debt/OPBDIT (times)	3.7	2.5
Interest coverage (times)	2.7	3.8

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	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				July 23, 2024	Apr 04, 2023	-	Feb 28, 2022
1	Term loan	Long term	690.81	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	[ICRA]BBB+ (Stable)
2	Unallocated	Long term	566.10	[ICRA]A- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	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	FY2019	NA	FY2034	74.90	[ICRA]A- (Stable)
NA	Term loan – II	FY2020	-	FY2026	6.50	[ICRA]A- (Stable)
NA	Term loan – III	FY2021	-	FY2030	24.41	[ICRA]A- (Stable)
NA	Term loan – IV	FY2023	-	FY2038	495.00	[ICRA]A- (Stable)
NA	Term loan – V	FY2024		FY2035	45.00	[ICRA]A- (Stable)
NA	Term loan – VI	FY2024		FY2035	45.00	[ICRA]A- (Stable)
NA	Unallocated	-	-	-	566.10	[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

Company Name	Ownership	Consolidation Approach
Gopalan Enterprises India Pvt Ltd (GEIPL)	100%	Full Consolidation
Gopalan Enterprises (GE)	78.3%	Full Consolidation

Source: Company; ICRA Research

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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.

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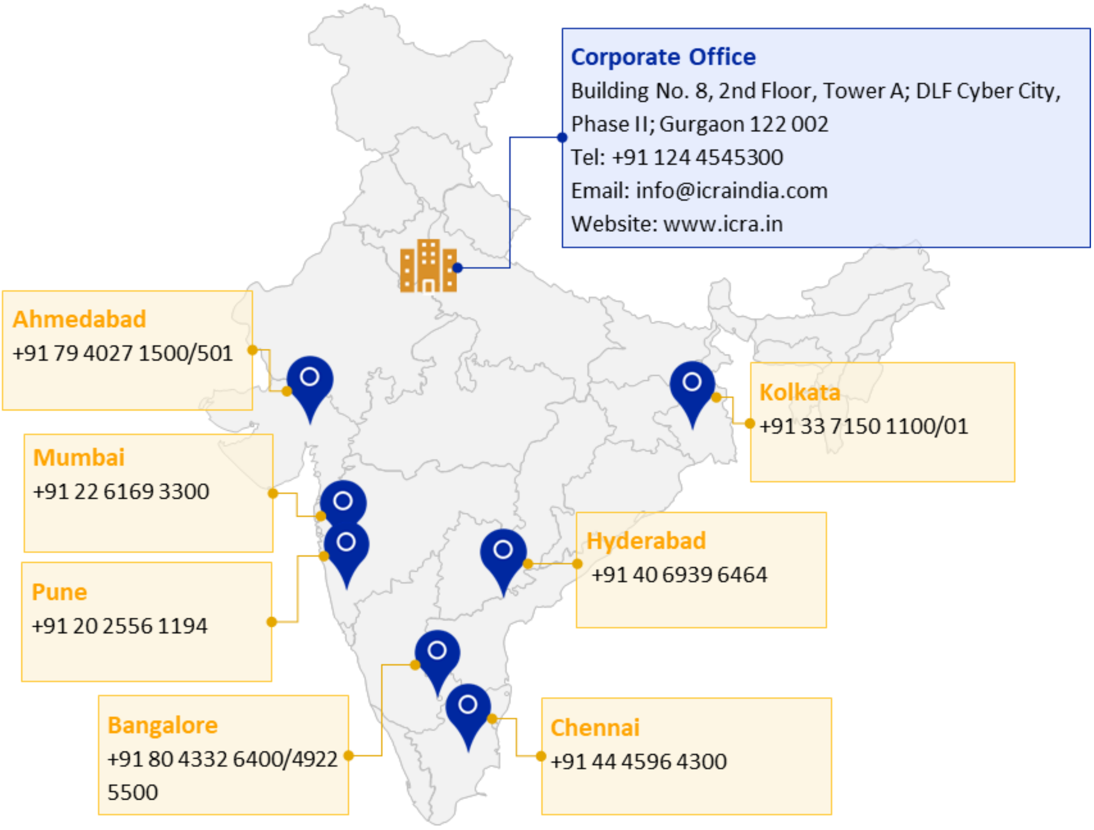

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