

April 28, 2023

G Corp Homes Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	40.0	40.0	[ICRA]BBB- (Stable); Reaffirmed
Total	40.0	40.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for G Corp Homes Private Limited (GCHPL) factors in the favourable location of the project at Thanisandra in North Bangalore, with proximity to Manyata Embassy Business Park. The rating considers the strong parent of GCHPL, Macrotech Developers Limited (MDL), which has an established track record of operations spanning over four decades in the real estate sector, having developed over 94 million square feet (msf) of area as on March 31, 2023. MDL infused Rs. 28 crore in the company since acquisition in FY2023 to meet the project completion costs and debt service requirements. ICRA expects MDL to extend extraordinary support to GCHPL as and when needed, given their business and financial linkages, strategic importance and the parent's (MDL) reputation sensitivity to default.

The rating continues to be constrained by the execution and market risks for the upcoming launches of towers G to M under Phase 2. ICRA, however, notes that the execution risks are mitigated to an extent considering the track record of the parent. The launch of towers G to M has been delayed due to changes in design, specification and branding of the project to improve the product offering. Towers G, H and I are expected to be launched within the next three months, while the remaining towers will be launched in the next year. ICRA notes that the sales velocity, realisation as well as collections for Tower F, the first tower under Phase 2, were affected in the past owing to high cancellations, which coupled with an increase in project cost by about Rs. 8-9 crore has impacted the profitability. Nonetheless, Tower F is now fully completed and only three out of 108 units are pending to be sold. The rating considers the risks associated with single project and single location nature of the company and resultant exposure to the performance of the Bangalore real estate market.

The Stable outlook reflects ICRA's opinion that the company will continue to benefit from the favourable location of the project and the established brand position (Lodha) of the parent, MDL, in the real estate market.

Key rating drivers and their description

Credit strengths

Strong parent group with established track record of operations in real estate sector – MDL has a long track record of over four decades in real estate development across residential, commercial and warehousing segments. As on March 31, 2023, the company delivered ~94 msf of area and had ~105 msf of ongoing and planned developable area. It has established presence in Mumbai and Thane as majority of its delivered projects have been largely concentrated in these markets. Besides the Mumbai Metropolitan Region (MMR), the company plans to have stronghold in Pune market over the coming years and has diversified into the Bangalore market through acquisition of GCHPL.

Favourable location of GCHPL's sole residential project, The ICON – GCHPL's ongoing residential project is located at Thanisandra Main Road, in North Bengaluru, with proximity to Manyata Embassy Business Park, which is one of the largest office parks in Bengaluru, thus enhancing its marketability.

Credit challenges

Execution and market risks associated with Phase 2 – The development for Phase 2 (comprising towers F to M) has been slower than expected, with only Tower F being completed as on date. Phase 2 has a total saleable area of 1.64 msf with an estimated project cost of Rs. 798 crore, of which Rs. 101 crore has been incurred till date, primarily on Tower F. The remaining towers are yet to be launched, which exposes them to execution and market risks. However, the execution risks are mitigated to an extent considering the track record of the parent. The company has undrawn limits of Rs. 43.5 crore available for towers G, H, I and J, while there is no debt sanctioned for towers K, L and M. Majority of the project cost is expected to be funded by customer advances.

Geographical and asset concentration risk – The company's cash inflows are entirely dependent on the booking level and the collection efficiency of THE ICON project as it is the sole residential project being developed at present. Consequently, it is exposed to variations in the demand-supply trends in the micro-market and the product category.

Exposure to cyclicity inherent in real estate business – The real estate sector is marked by volatile prices and a highly fragmented market structure because of the presence of a large number of regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the company's sales vulnerable to any downturn in demand.

Liquidity position: Adequate

GCHPL's liquidity is adequate, supported by undrawn limits of Rs. 43.5 crore and cash balances of Rs. 1.65 crore as of March 2023. The construction costs for future phases would be met by undrawn debt as well as customer advances from incremental sales. Further, deferment of landowner revenue share by 12-18 months is likely to result in all cash inflows from sales being used solely for construction progress. The company has debt repayment obligations of ~Rs. 10 crore in FY2024, which is expected to be met from its cash flow from operations and parent support.

Rating sensitivities

Positive factors – The rating can be upgraded if there is strong sales velocity and collections in the upcoming launches, along with improvement in the project's profitability. The rating will be sensitive to the credit profile of its parent company.

Negative factors – Negative pressure on GCHPL's rating could emerge if upcoming launches are delayed and if there is weak sales and collections, thereby straining its liquidity profile. The rating will be sensitive to the credit profile of its parent company and weakening of financial linkages with its parent company.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology- Real Estate entities Rating Approach- Implicit Support from Parent Group
Parent/Group support	Parent: Macrotech Developers Limited (MDL) ICRA expects MDL to extend extraordinary support to GCHPL if need arises, given their financial linkages, strategic importance, and the parent's reputation sensitivity to default.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

GCHPL was incorporated in 2006 by the G-Corp Group for executing its first large residential project in South India, named The ICON, located in Thanisandra, in North Bangalore. The project is planned in 19.5 acres of land and is being undertaken under Joint Development Agreement (JDA) with the landowners. It comprises 13 towers (A to M) of 17-28 floors and ~1,400 flats of

dimension ranging from 1,305 sq. ft. to 2,695 sq. ft. The project is being developed in two phases. While Phase 1 comprising towers A to G are completed and sold, the remaining towers (F to M) are under Phase 2. Tower F of Phase 2 has been completed, while the remaining towers are yet to be launched. The total saleable area of the project is nearly 2.6 million sq. ft.

In June 2022, GCHPL was acquired by the Mumbai-based Macrotech Developers (Lodha Group). The upcoming towers would be launched and developed by Macrotech Developers under the Lodha brand.

Key financial indicators (audited)

	FY2021	FY2022
Operating income	0.4	0.3
PAT	0.0	0.2
OPBDIT/OI	n.m.	n.m.
PAT/OI	n.m.	n.m.
Total outside liabilities/Tangible net worth (times)	2.41	5.21
Total debt/OPBDIT (times)	n.m.	n.m.
Interest coverage (times)	n.m.	n.m.

n.m. not material PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; All ratios as per ICRA's calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	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
					April 28, 2023	-	Jan 14, 2022	Aug 31, 2021	-
1	Term loans	Long term	40.0	36.94	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Negative)	-

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	September 2021	NA	September 2026	40.0	[ICRA]BBB- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis - NA

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