

GR Construction

Instrument	Amount (Rs. Crore ¹)	Rating Action
Long Term - Fund Based- Term Loan	26.0	[ICRA]D downgraded from [ICRA]BB- (Stable)

ICRA has downgraded the long term rating for the Rs.26 crore term loan facilities of GR Constructions (GRC)² from [ICRA]BB- (pronounced ICRA double B minus) to [ICRA]D (pronounced ICRA D).

The rating downgrade takes into account stretched liquidity position of the firm as exhibited by recent delay in meeting its principal payment obligation. The rating revision also reflects the exposure to execution and market risks for the launched projects – GR Sankalpa II and GR Srushti, with projects being in initial stages of construction with significant quantum of saleable area; the high geographic concentration as all of its projects are located in Bangalore. The rating also factors in the significant expansion plans of the firm which exposes it to market, funding and execution risks, along with the risks inherent to partnership nature of business, including limited ability to raise capital and exposure to personal liabilities of partners. The company's ability to sell additional units and generate adequate cash flows is critical given the significant debt repayment obligation in the near term.

About the firm

The promoters, Mr. G. Ramana Babu and Mr. R. M. Eshwar Naidu, with more than two decades of experience in the construction industry, incorporated GR Constructions, a partnership firm in 1999. In the initial years, the firm executed various construction contracts across residential and commercial real estate segments; and from 2006 onwards, the firm ventured into real estate development with the launch of its first residential project—GR Vistas. Since then the firm has completed six residential projects, with a total saleable area of around 0.68 million sq. ft. The firm is currently developing around 0.41 million sq. ft. of residential space in Bangalore with three projects—GR Sankalpa I & II and GR Srushti.

Result Results

For the financial year 2015-16 (as per provisional numbers), the firm reported a net profit of Rs.7.8 crore on an operating income of Rs. 87.6 crore, as against a net profit of Rs. 2.4 crore on an operating income of Rs. 66.4 crore in 2014-15.

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¹100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



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