

## Gulshan Homes and Infrastructure Private Limited

September 01, 2021

### Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Non-Convertible Debentures	125.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
<b>Total Long-Term Instruments</b>	<b>125.00</b> <b>(Rs. One Hundred Twenty-Five Crore Only)</b>		

*Details of facilities in Annexure-1*

### **Detailed Rationale and key rating drivers**

*The rating to the instrument of Gulshan Homes and Infrastructure Private Limited continues to remain constrained on account of project execution and saleability risk, moderate dependence on customer advances and subdued industry scenario.*

*The rating however continues to derive comfort from experienced promoters with their established track record in real estate industry, advanced stage of completion and satisfactory collection.*

### **Key Rating Sensitivity**

#### **Positive Factors**

- Timely sales of remaining area.
- Timely completion of the project within the envisaged period.
- Monthly average collection of Rs 20 crore.

#### **Negative Factors**

- Slowdown in construction of the ongoing projects.
- Dip in average monthly collection to less than Rs 7 crore.

### **Detailed description of the key rating drivers**

#### **Key Rating Weaknesses**

##### **Project Execution and Saleability Risk**

GHIPL is presently executing two projects namely Gulshan Botnia (residential) and One 29 (commercial) with a total saleable area of 13.14 lsf. As on July 31, 2021, the company has incurred 89% of the cost in Gulshan Botnia and 77% in Gulshan One29. Thus, both the projects are at satisfactory level of execution.

In Botnia project, sales have been recorded to the tune of 73% of the area and in Gulshan one 29, only 36% of the area is sold as the commercial sector has been more affected in Covid-19 times. Thus, in light of subdued industry scenario and Covid-19 pandemic still posing a threat to the economy, the saleability risk remains high for the ongoing projects of the company.

##### **Moderate dependence on customer advances for project execution and debt repayment**

The ongoing projects are funded through a mix of promoter funds, debt and customer advances. The overall cost of Botnia project is Rs. 427 crore funded through promoter's contribution of Rs 86 crore, debt of 175 crore and remaining Rs. 166 crore through customer advances. While cost of One29 project is Rs 300 crore funded through promoter's contribution of Rs 67 crore, debt of 125 crore and remaining Rs. 108 crore through customer advances. The projects are dependent upon customer advances for funding of the projects.

Moreover, the repayment of debt availed for the construction of the projects would also be done through customer advances. Thus, project execution and debt repayments are highly dependent on fresh sales and timely receipt of customer advances.

##### **Subdued industry scenario**

With the on-going economic conditions, the real estate industry is currently facing issues on many fronts, including subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc. thereby resulting in stress on cash flows of developers. The COVID-19 outbreak halted construction in short term and impacted the material supply. Reverse migration of labour led to uncertainty on construction progress in medium term. Economic uncertainty would also have a severe impact on new loans/ refinance for developers.

However, the industry has gradually started to pick up during pandemic times owing to availability of cheap housing loan, lucrative payment option, attractive prices coupled with favourable government reforms. It is expected that new project

launches may see light in FY22 and developers shall focus on project completion which were delayed in FY21 due to Covid-19 restrictions.

### Key Rating Strengths

#### **Experienced Promoters with long track record of operations**

GHIPL is part of Gulshan group which is an established name in the real estate industry especially in Delhi NCR. The group was set up in 1997 by Mr. Gulshan Nagpal and Mr. Deepak Kapoor to promote the real estate business and develop residential and commercial projects. Mr. Gulshan Nagpal has more than 3 decades of experience in the real estate industry. Further, Mr. Deepak Kapoor has more than 25 years of experience in the real estate industry. They are further assisted by a team of professionals who have expertise in their respective fields.

The group has an established track record of operations and has successfully delivered 6 residential projects and with total salable area of 68.06 Isf in Noida, Greater Noida and Ghaziabad region.

#### **Advanced Stage of completion and satisfactory collection**

The company has incurred 98% of the construction cost as on July 31, 2021 in Botnia project. The company has received completion certificate for phase 1 of the project which comprises of 8 towers out of the total 12 towers and has also offered possession. While the company is under the process of applying the certificate for phase II of botnia project.

In Gulshan One 29, the company has incurred 78% of the construction cost as on July 31, 2021. GHIPL has already applied for completion certificate in June, 2021.

During last 12 months period ended July, 2021, the company has recorded total collections of Rs. 124.04 crore, delivering average monthly collections of Rs. 10.33 crore.

### Liquidity analysis: Stretched

The liquidity of the company is stretched as area sold out in commercial project One29 is low. The sales for this project have been adversely affected by the pandemic Covid-19 and the threat from it is still looming around. The company has NCD of Rs.125 crore for this project at an effective IRR of 21% with interest moratorium for first two years. Therefore, the company has to pay substantially large amount of money at the maturity of NCD to meet the investor required IRR. The NCDs are due on September 30, 2023. Considering the high pay out and low sales, the company is highly dependent upon fresh sales for repayment. Going forward, timely realization from customer advances for timely payment of the interest on NCD's undertaken would be a key rating sensitivity.

**Analytical Approach:** Standalone

#### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's methodology for Real Estate Sector](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

Gulshan Homes and Infrastructure Pvt Ltd (GHIPL) was incorporated on 30th December, 2010 and is currently managed by Mr. Gulshan Nagpal and Mr Deepak Kapoor. The company is engaged in the business of real estate development. GHIPL is a part of Gulshan Group which is into the business of civil construction and real estate development. The group has completed 6 real estate projects with total salable area of 68.06 Isf in Noida and Ghaziabad region. Currently, the company is developing project Gulshan Botnia (residential) and also Gulshan One 29 (commercial) in Noida.

**Covenants of rated instrument:** Detailed explanation of covenants of the rated instruments is given in Annexure-3

Brief Financials (Rs. crore)	(Rs. In crore)	
	FY19	FY20
	A	A
Total operating income	70.73	153.75
PBILDT	39.13	48.71
PAT	1.35	5.15
Overall gearing (times)	16.94	15.06
Interest coverage (times)	1.12	1.22

A-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

Rating History (Last three years): Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN Number	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	ISIN: INE0EN507014	September 16, 2020	10	September 30, 2023	125.00	CARE BB; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Debentures-Non-Convertible Debentures	LT	125.00	CARE BB; Stable	-	1)CARE BB; Stable (03-Sep-20)	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

Non-Convertible Debentures Covenants	Detailed Explanation
i. Call Option	Call option to GHIPL at the end of 24 months from the date of 1st investment and onwards till 30 months from such date to redeem ASK's investments at XIRR of 21% except in case of EOD.
ii. Put Option	Put option to ASK at the end of 30 months and onwards from the date of 1st investment till final maturity date at XIRR of 21%.
iii. Coupon Rate	10% p.a. payable cumulatively from the end of second year from the first investment date of the NCDs that is September, 2020. NCDs will earn a return of XIRR 21% including coupon upon maturity (Preferred Return)
iv. Repayment Date	Day falling at the end of 36 months from the date of first investment.

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non-Convertible Debentures	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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