

GLD Infraprojects Private Limited

February 02, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	85.30	CARE BBB-; Stable	Assigned
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities i.e., Debt backed by lease rentals (LRD) of GLD Infraprojects Private Limited (GLD) draws strength from the experienced and resourceful promoters, long-term lease tie-up with reputed retail chains providing adequate revenue visibility coupled with presence of structured repayment mechanism & DSRA. The ratings are, however, constrained by rollover risk of the existing leases & vacancy risk coupled with subdued industry scenario.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Timely receipt of rentals.
- Ability to manage renewal on expiry of lock-in period in the lease agreements.

Negative factors

- Pre-mature termination of lease agreement with any of the key tenants leading to reduction in occupancy rates.

Analytical approach: Standalone

Key strengths

Experienced & resourceful promoters.

The company was promoted in the year 2016 by Mr. Pradeep Kumar Agrawalla (Chairman). He is having vast experience of 14 years in the field of real estate industry. Associating himself with realty business during 2008, he has already delivered more than 3000 residential & commercial units with a consolidated area of more than 3 million sq. ft. He looks after the overall operations of the company. The promoters have also extended need-based support in the form of unsecured loans to meet the liquidity requirements of the company. The amount of unsecured loans extended by the promoters stood at Rs. 68.57 crore as on March 31, 2022, which has been increased from Rs. 50.07 crores as at March 31, 2021, owing to this company has been able to repay land dues of Greater Noida Authority and there is no outstanding as on date.

Long-term lease tie-up with reputed retail chains providing adequate revenue visibility.

As on November 30, 2022, GLD is developing a mall by the name of "Galaxy Blue sapphire" which has total saleable area of 12.77 lsf out of which company has already sold 5.28 lsf and has availed debt backed lease rentals discounting having outstanding of Rs. 85.30 crores on its leased area of 2.38 lsf leased out to 16 reputed retail chains. GLD has entered into long term lease agreement with all the 16 tenants which includes some of the reputed retail outlets like Trent, Chunmun stores, US Cinema, More Retail P Ltd etc. Although, there are total 16 tenants, but Trent, Chunmun, More Retail P Ltd and US cinemas comprise almost three fourth of the total monthly rentals. All the lease agreement are of long term in nature with minimum tenor being 10 years and up to 25 years with a lock-in period of 3 years coupled with escalation clause of 15% on monthly rentals after expiry of every 3 years.

Presence of structured repayment mechanism & DSRA

The LRD debt servicing is supported by the structured escrow mechanism wherein the rentals from the tenants along with common area maintenance (CAM) charges are deposited. Further, lender has stipulated waterfall mechanism wherein proceeds in the escrow account will be first utilised for repayment of dues of the lender followed by funds issued to company for meeting CAM charges based on requirement. Furthermore, any surplus in the escrow will be utilised for prepayment of debt. However, since majority portion of the mall is either leased or sold-out company is getting sufficient CAM which varies between Rs 8- Rs 12 per square feet to meet out their maintenance expenses and don't majorly rely on escrow account for maintenance expenses. Accordingly, debt servicing takes priority over all other operational expenses of the mall. Furthermore, company has to maintain DSRA of Rs. ~ 4 crores as stipulated in the sanction terms throughout the currency of loan which is sufficient enough to meet repayments for 3 months. Furthermore, company has prepaid the debt backed lease rentals which was earlier disbursed for Rs

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

96 crores having 17 tenants after selling unit leased out to Heera Sweets and one screen out of total ten screens of US cinema, therefore current outstanding is Rs. 85.30 crores as on December 31,2022, LRD availed was used for repayment of project loan.

Key weaknesses

Rollover risk of the existing leases and vacancy risk

Lease agreements has lock in period of 3 years along with escalation clause which is around 15% after expiry of every 3 years. After expiry of lock in period company will be exposed to vacancy risk in case tenants fails to generate revenue based on their projections, however, mall is located in prime locality of Greater Noida surrounded by multiple residential projects somehow provides visibility related to footfall in the mall. Hence, rollover of the existing leases or leasing the space to new tenants at higher than the existing rates coupled with improvement in footfall of the mall will be key rating monitorable.

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 industry has seen low demand in the recent past, primarily due to factors like sustained high level of inflation leading to high interest rates and adverse impact on the buying power and affordability for the consumers. However, after relaxation in COVID related restrictions real estate industry is slowing reviving as reflected by improving demand.

Liquidity: Adequate

The company has a total debt repayments obligation (including interest) of LRD are Rs. 10.24 crores, Rs. 11.44 crores & Rs. 12.34 crores in FY24, FY25 & FY26 respectively, which will be met through rental income received from tenant which will be Rs. 14.20 crores, Rs. 16.80 crores and Rs. 17.97 crores during FY24, FY25 & FY26 respectively which shows adequate level of liquidity. Further, Company has DSRA of Rs ~4 in place which further strengthen liquidity position of the company.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology for Debt backed by lease rentals](#)

[Rating methodology for Real estate sector](#)

[Policy on Withdrawal of Ratings](#)

About the company

GLD Infraprojects Private Limited (GIPL) incorporated in 2016, is a private limited company, engaged in the business of real estate development in commercial segment. The company is a part of Galaxy Group which was established in 2008 by Mr. Pradeep Kumar Agrawalla (Chairman) engaged in developing numerous luxury apartments in the prime location of Greater Noida. This real estate group has been developing with various housing as well as commercial projects and has completed 3 residential projects and 5 commercial projects aggregating 36.77 lsf area till November 30, 2022. Mr. Pradeep Kumar Agrawalla, the Chairman of the Galaxy Group is one of the most seasoned realty players in National Capital Region, with an experience of close to 15 years. Associating himself with realty business during 2008, he has already delivered approx. 3037 residential & commercial units with a consolidated area of approx. 3 million sq. ft.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	December 31,2022 (UA)
Total operating income	84.03	90.04	NA
PBILDT	37.55	35.75	NA
PAT	9.16	10.89	NA
Overall gearing (times)	1.31	1.42	NA
Interest coverage (times)	1.40	1.66	NA

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2023	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	Dec 2032	85.30	CARE BBB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (25-Feb-22)	-	-
2	Fund-based - LT-Term Loan	LT	85.30	CARE BBB-; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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