

G.R Constructions

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	56.00 (Reduced from 78.00)	CARE BB; Stable	Downgraded from CARE BB+; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings to bank facilities of G.R Constructions (GRC) factor in slow project progress in GR Samskruthi project which is unlikely to be completed within RERA timelines. Moreover, the sales progress in the project has been sluggish. With project execution significantly dependent upon customer advances, it is pertinent for the company to improve sales velocity. The rating continues to be constrained firm having a relatively small scale of operations and high geographical concentration risk, with all projects located in Bengaluru. The rating is also constrained by sizeable upcoming projects in pipeline, exposure to inherent cyclicality in real-estate industry and risk of capital withdrawal due to its partnership nature of constitution.

These rating weaknesses are partially offset by long track record of the firm in the Bengaluru residential real estate sector and its lower reliance on debt for project funding.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Pick up in construction progress of Samskruthi project and ability to complete the projects within RERA timelines.
- Improvement in sales velocity so that unsold inventory levels are below 24 months

Negative factors

- Delaying project execution or slowdown in sales velocity, leading to unsold inventory beyond 3.5 years.
- Cost overruns or unforeseen delays in project completion

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the business and financial risk profile is expected to remain stable with GRC's lower dependence on debt for project funding and satisfactory construction progress.

Detailed description of key rating drivers:

Key weaknesses

Project execution highly dependent on customers advances

As seen in the past completed project, the firm is largely dependent on customer advances to fund project cost and its timely receipt will be crucial for project progress. Unsold inventory remains ~38% for ongoing projects. Improvement in sales velocity in ongoing projects will be key monitorable for its credit profile.

Slow overall construction progress in ongoing projects

For ongoing projects, GR Sitara, has a total saleable area of 3.44 lsf and has reported satisfactory construction progress of nearly 84% as of December 31, 2024, and is expected to complete before deadline of December 2026. The firm sold ~177 apartments of the total 250 apartments. For GR Samskruthi, the construction progress is near to 48% and completion is expected to be delayed by 6 months from its original RERA timeline. In terms of inventory, the firm sold 134 apartments, which is ~50% of total apartments.

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

Exposure to inherent cyclicality in the real-estate industry

GRC's business significantly depends on performance of the real-estate market, primarily in Bengaluru, where its entire ongoing and upcoming projects are located. Being a cyclical industry, real estate depends on macro-economic factors and the firm's dependence on a particular geography further heightens such risk.

Constitution of entity as a partnership firm with inherent risk of capital withdrawal

The constitution as a partnership firm has inherent risk of withdrawal of partner's capital at the time of personal contingency, which will affect its capital structure. The partners have withdrawn Rs 20 cr during FY24, however as per the management funds were used to buy land parcels. Moreover, partnership firms have restricted access to external borrowing, which limits growth opportunities to some extent.

Key strengths

Experience of promoters in the real estate industry

GRC is presently managed by Eshwar Naidu and Mamatha Shree, who are engaged in real estate business and have an overall experience of 20 years in the construction space. The partners have completed 12 residential projects of 13.27 lsf so far and have a track record of completing projects on time. In the past, the firm has received financial assistance from partners and its related parties as unsecured loans, when it was necessary to complete projects. Going forward, CARE Ratings expects that the same support would continue in the medium term in case of cash crunch or liquidity issue.

Sizeable upcoming projects in the pipeline

GRC has plans to launch new projects in residential segment having saleable area of 8.76 lsf in the medium term, which will expose the firm to high execution and funding risk. The firm has prior experience in residential projects but timely execution of projects within budgeted cost and timely sale of property would be a key rating monitorable.

Liquidity: Stretched

Firm's liquidity is constrained on account of slow sales velocity translating into low receivable coverage of 24%. The firm had cash and bank balances to the tune of Rs ~8.0 crores and undrawn bank lines of Rs. 15.5 Cr as on December 31, 2024. The liquidity profile of the firm is stretched given the upcoming debt repayments and sizeable balance project cost to be incurred for timely completion of the projects.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

GRC was established in 1999 as a partnership firm and is presently handled by Eshwar Naidu and Mamatha Shree. The firm is engaged in constructing residential apartments and villas. The firm undertakes projects largely in the Joint Development Agreement (JDA) mode. Some of real estate projects completed by the firm include GR Vista, GR Shanthinivas, GR Sagarnivas, GR Santhrupthi phase-1, GR Santhrupthi phase-2, GR Sankalpa, and GR Shrushti among others. GRC is currently implementing two residential projects, GR Samskruthi and GR Sitara in Bengaluru.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	50.43	102.63
PBILDT	14.76	21.34
PAT	5.53	9.94
Overall gearing (times)	0.80	1.05
Interest coverage (times)	3.32	4.81

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2027	56.00	CARE BB; Stable

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)CARE BB; Stable (27-Jan-22) 2)Withdrawn (27-Jan-22) 3)CARE BB; Stable (01-Apr-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (01-Apr-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (27-Jan-22) 2)CARE BB; Stable (27-Jan-22) 3)CARE BB; Stable (01-Apr-21)
4	Fund-based - LT-Term Loan	LT	56.00	CARE BB; Stable	1)CARE BB+; Stable (02-Apr-24)	1)CARE BB+; Stable (05-Apr-23)	1)CARE BB+; Stable (05-May-22)	1)CARE BB+; Stable (22-Feb-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities**Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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