



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Grand Canyon SEZ Private Limited

April 03, 2020

Ratings

Sl. No.	Instrument/Facility	Issue Date	Amount (Rs. Crore)	Tenure	Coupon Rate	Rating Assigned
1	Proposed NCD	TBD	100.00	4 years	11% P.A	IVR BB-/Stable Outlook (IVR Double B Minus with Stable Outlook)
2	Proposed NCD	TBD	100.00*	TBD	TBD	
	Total		200.00			

TBD: To be decided

** NCD's terms are yet to be finalized.*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the proposed NCD of Grand Canyon SEZ Private Limited (“GCSPL” or “the Company”) derives comfort from its experienced promoters, reputed lessees which ensures on time receipts of rent and favorable location of the project. These rating strengths are partially offset by its weak operating performance coupled with leveraged capital structure, limited cash flow generation, significant investment and intra group transactions and susceptibility to cyclicity inherent in the real estate sector.

Key Rating Sensitivities

Upward revision factors:

- Entering into lease agreement for remaining areas and generation of adequate free cash flows
- Manage working capital requirements efficiently with improvement in liquidity position.



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Downward revision factors:

- Any delay in entering into the lease agreement for the remaining leasable area and absence of adequate free cash flow

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced Promoters

Incorporated in 1997, ASF Group is promoted by Mr. Anil Saraf and family. ASF Group has been engaged in the development of Commercial real estate / Special Economic Zones and IT Parks. The group specializes in delivering build-to-suit and state-of-the-art IT infrastructure and commercial buildings. The Group has substantial presence in Gurgaon and Noida. The promoters of the company has a long track record of more than two decades in the real estate sector. A team a qualified & experienced management supports the promoters for managing its operations.

Location Advantage

The project is located in Gwal Pahari, Gurgaon, which is one of the commercial hub of NCR. The area is also well connected with all the major means of conveyance.

Construction completed and leased out to reputed clientele

The project, "Grand Canyon", at ASF Insignia SEZ, Gwal Pahari, Gurgaon, has been completed and the occupation certificate (OC) received in 2014. The project admeasures about 12,20,000sqft of lettable spaces. So far about 5.29 Lac sft has been leased to various IT companies which ensure the timely receipt of rent. Presence of rent escalation clause in the agreements safeguards the any further increased cost to an extent.



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Key Rating Weaknesses

Leverage position and Limited Cash Flow

Gearing of the company is high mainly due to its low net worth base. Further, there is limited gap between pay in and payouts, which limits free cash flows after meeting debt repayment obligations. The company incurred cash loss in last three financial years.

Significant Investment and Intra Group Transactions

The Company has made significant investment in the group company ASF Insignia SEZ Pvt. Ltd. of Rs.153.34 Cr in FY19 and short term loans and advances outstanding to the related parties of Rs.109.29 Cr in FY19.

Uncertainty related to finalisation of unleased portion

The company has only entered ~45% into the lease agreement, which creates uncertainty to the projected cash flows. However, it is into the advance talks with many of the expected lessee.

Susceptibility to cyclicity inherent in the Real Estate sector

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The uncertainty pertaining around Covid-19 also dents the demand of commercial as well as residential real estate demand.

Analytical Approach: Standalone Approach.

Applicable Criteria:

Rating Methodology for Real Estate Entities

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity: Stretched

The liquidity seems to be stretched. Further, any delay in finalising the lease agreements can put pressure on the cash flow of the company.

About the Company

Grand Canyon SEZ Pvt Ltd (formally known as Idyllic Buildcon Private Limited), is a part of ASF group. Incorporated in 1997, ASF Group was promoted by Mr. AnilSaraf and family. The group has been engaged in the development of Commercial real-estate / Special Economic Zones and IT Parks and has substantial presence in Gurgaon and Noida.

Financials (Standalone):

For the year ended*	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	37.80	32.08
EBITDA	31.89	28.81
PAT	-30.19	-75.88
Total Debt	706.30	744.02
Tangible Net worth	-119.24	-195.12
EBITDA Margin (%)	84.37	89.79
PAT Margin (%)	-57.83	-159.41
Overall Gearing Ratio (x)	-5.92	-3.81

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed NCD	Long Term	200.00	IVR BB- /Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

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