G Square Realtors Private Limited

October 03, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	100.00 (includes proposed limit of Rs.100 Crore)	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	-	Assigned	Simple
Total	**100.00 (INR one hundred crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The long-term rating assigned to the bank facility of G Square Realtors Private Limited (GSRPL) derives strength from experienced management and long track record of operations of the company in the real estate industry. The rating also favourably factors in improvement in business risk profile buoyed by increase in scale of operations coupled with healthy profitability margins, healthy booking status and favorable sales momentum. However, these rating strengths are constrained due to average financial risk profile marked by moderate capital structure, moderate working capital management and exposure to risks relating to cyclicality in real estate industry.

The outlook of G Square Realtors Private Limited is expected to remain stable as it is benefited from the extensive experience of the promoters along-with strong business risk profile and favourable industry outlook.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirements efficiently leading to improvement in the operating cycle with improvement in liquidity.

- Scheduled completion of ongoing projects

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in the capital structure and/or coverage indicators
- Elongation in the operating cycle with moderation in liquidity
- Weaker than anticipated sales performance and lower than expected collections which may lead to increased funding risk
- Time and cost overrun in the Projects

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and experienced management**
  G Square Realtors Private Limited (GSRPL) has a long operational track record in the real estate industry for more than a decade. The company had catered to more than 10000 customers and successfully delivered more than 2000 acres of land. Currently, the company has 36 ongoing projects. In addition to this, the directors Mr. Rangaswamy Ramajayam and Mrs. Sreekala R are highly experienced and actively involved in the operations of the company since inception. The promoters' background, experience and their strong understanding of the local market dynamics will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Improvement in business risk profile buoyed by increase in scale of operations coupled with healthy profitability margins**
  The improvement in the business risk profile of the company is primarily on account of the increase in the revenue of the company which witnessed a YOY growth of ~392% to Rs.997.01 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) as compared to Rs.202.35 Cr in FY2022 (refers to period April 1st, 2021, to Mar 31, 2022), on account of positive thrust in real estate industry. Moreover, the revenue increased by 10.29% to Rs.1099.61 Cr to FY2024 (Provisional) (refers to period April 1st, 2023, to Mar 31, 2024) due to further increase in the sales of plots. It can be expected that the scale of operations will

be boosted further buoyed by the new land acquisition of 700 Acre in Coimbatore, going forward.

Moreover, The EBITDA margin of the company increased to 15.65% in FY2023 from 14.32% in FY2022 due to inherent nature of the business of plotted development. Again, the EBITDA margin of the company increased to 20.87% in FY2024 (Prov.), on the back of increase in sales volume. However, the PAT Margin of the company decreased to 7.38% in FY2023 from 8.75% in FY2022 on account of increase in interest expenses. Nevertheless, the PAT margin improved to 7.84% in FY2024 (Prov.). In the medium term, the sustenance of the profitability margins of the company will be a key rating monitorable.

- **Healthy booking status and sales momentum**
  As on August 31, 2024, the agreement value of sold inventory (across all ongoing projects) stood at Rs.1753.55 crore, which is around 79% of the estimated revenue potential of ongoing projects. Among ongoing projects, the company has sold over 75% of the saleable area in all its projects, reflecting robust booking status. As on August 31, 2024, the company has low unsold inventory of Rs.472.78 crore, reflecting steady sales momentum of the company. The timely sales momentum of the projects will be the key rating sensitivity.

Key Rating Weaknesses

- **Average financial risk profile marked by moderate capital structure**
  The capital structure of the company is moderately leveraged marked by moderate capital structure. The adjusted tangible net worth of the company stood at Rs.460.16 Cr as on 31st March 2023 as compared to Rs.288.64 Cr as on 31st March 2022. Further, the ATNW improved to Rs.546.81 Cr as on 31st March 2024 (Provisional). The increase in adjusted tangible net worth is due to accreditation of reserves and infusion of quasi equity. The overall adjusted gearing ratio of the company stood comfortable at 0.56x as on 31st March 2023 as compared to 0.03x as on 31st March 2022. The TOL/ ATNW of the company stood moderate at 1.44x as on 31st March 2023 as against 0.56x as on 31st March 2022. Further, the adjusted gearing ratio moderated to 1.56x as on 31st March 2024 (Provisional) and TOL/ATNW increased to 2.26x as on 31st March 2024 (Provisional). The debt protection metrics stood comfortable marked by interest coverage ratio at 3.95x as om 31st March 2023 and debt service coverage ratio at 2.86x as on 31st March 2023. Furthermore, ICR and DSCR stood at

2.20x and 1.83x respectively as on 31st March 2024 (Provisional). Going forward, the financial risk profile of the company will improve with no major debt funded capex plans.

- **Moderate working capital management**

  The working capital management of the company is moderate marked by operating cycle stood moderate at 59 days as on 31st March 2023 as against 91 days as on 31st March 2022. The operating cycle is predominantly driven by high inventory holding days. The inventory period stood high at 85 days as on 31st March 2023 as compared to 101 days as on 31st March 2022. The debtor's period stood comfortable at 2 days as on 31st March 2023 as compared to 3 days as on 31st March 2022. Further, the operating cycle stood high at 100 days as on 31st March 2024 (Provisional) and the debtors and inventory holding period stood at 2 days and 154 days respectively as on 31st March 2024 (Provisional). Going forward, the working capital management of the company will remain at similar levels as evident from the high inventory level and moderate debtor level.

- **Exposure to risks relating to cyclicality in the real estate industry**

  Being a cyclical industry, real estate depends on macro-economic factors and the firm's dependence on a particular geography further heightens such risk. The real estate industry also remains susceptible to regulatory risk. Cumulatively, these may have a material bearing on the real estate projects cash flows. This may impact the debt servicing ability of the firm. Managing the same thus remains critical.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Policy on default recognition

Complexity level of rated Instruments/Facilities

Liquidity– Adequate

The company has adequate liquidity marked by net cash accrual which stood at Rs.89.91 Cr as on 31st March 2024 (Provisional) as against long-term debt repayment of Rs.1.50 Cr over the same period. The current ratio and quick ratio stood moderate at 1.21x and 0.39x respectively as on 31st March 2024 (Provisional). The projected cash accruals for FY2025-FY2027 are around Rs.450-660 Cr as against projected debt repayments of Rs.60-115 Cr for the same period. Going forward, the company is likely to maintain adequate liquidity position supported by steadily growing accruals.

About the Company

Incorporated in 2012, G Square Realtors Private Limited (GSRPL) is a Chennai based company engaged in plotted development. Currently, the company is headed by Mr. Rangaswamy Ramajayam and Mrs. Sreekala R. The company started its operations as a land aggregator for corporates and later in 2021, it has expanded the business into the B2C segment. GSRPL has launched several projects across South India and has successfully set up its presence in numerous cities in Tamil Nadu such as Chennai, Coimbatore, Trichy, Ambur, Pollachi, Theni, Dindigul, Udumalpet, Tirupattur and Hosur, and in cities of other states such as Mysuru, Ballari from Karnataka and Hyderabad in Telangana. The company has catered to more than 10000 customers and has successfully delivered more than 2000 acres of land. Recently, the company has acquired new lands of around 700 Acre in Coimbatore. Further, to increase the brand presence the company had elected former Indian cricket player and captain, Mr. Mahendra Singh Dhoni as its brand ambassador.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	997.01	1099.61
EBITDA	156.08	229.45
PAT	73.65	86.18
Total Debt	259.76	850.43
Adjusted Tangible Net Worth	460.16	546.81
EBITDA Margin (%)	15.65	20.87
PAT Margin (%)	7.38	7.84
Overall adjusted Gearing Ratio (x)	0.56	1.56
Interest Coverage (x)	3.95	2.20

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	**Name of Security/Facilities**	**Current Ratings (Year 2024-25)**			**Rating History for the past 3 years**		
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**
1.	Proposed Term Loan	Long Term	100.00	IVR BBB-/ Stable	-	-	-

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Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	-	100.00	IVR BBB-/Stable

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-GSquare-oct24.pdf

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.