



Press Release

Gundecha Construction Private Limited (GCPL)

October 01st, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	100.00*	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	Upgraded	Simple
Total	Rs.100.00 (Rupees One Hundred Crore Only)				

**Out of the total sanctioned amount of Rs. 100 crore, Rs. 40.94 crore has been disbursed as of September 23rd, 2024. The remaining balance will be disbursed in a phased manner.*

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

Infomerics has upgraded the rating assigned to the bank facilities of GCPL significant improvement in cash flow coverage ratio over FY25-FY27 with increase in number of bookings, along with progress of the project which is running in line with proposed COD. The rating continues to derive comfort from the favourable location of the project, funding tie-up, and experienced promoters with strong group support. The rating strengths are, however, constrained by the project execution and saleability risk, geographically concentrated revenues and cyclical nature of the real estate industry, subject to regulations.

The Stable outlook reflects Infomerics expectations of GCPL continue to derive benefits from experienced promoters and established track record in the real estate industry.

Key Rating Sensitivities:

Upward Factors

- Improvement in the sales velocity and collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.



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Downward Factors

- Weaker-than-anticipated sales performance and lower-than-expected collections, which may lead to increased funding risk.
- Any delay in the project implementation and/or increase in debt thereby deteriorating the leverage ratios.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Significant progress in the project

Out of the total cost of Rs.213.02 crore, GCPL has already spent 54% of the total cost till August 24. GCPL has already completed funding tie-up for the project and promoters have already infused around Rs.45 crore till August 24 as against total commitment of Rs.55 crore. Infomerics expects, with current pace of customer booking, GCPL will be able to complete the project without any cost or time overrun.

Significant improvement in cash flow cover:

GCPL's cash flow coverage ratio has significantly improved with average cash flow coverage of 5.05x and minimum cash flow coverage of 2.65 throughout the tenure of the loan. Cash Flow coverage has improved with improvement in bookings along with improvement in average per square feet rate.

Favourable Location of the project

The ongoing project, Gundecha KBK Magnum Heights, is located in Lower Parel, Mumbai. The development enjoys close proximity to essential amenities, including schools, hospitals, shopping malls, and both the highway and railway station. Moreover, the social and civic infrastructure surrounding the project site is well-maintained and in good condition. All the residential projects mentioned are majorly located in the Mumbai. Its robust infrastructure, efficient transportation network, and proximity to key destinations enhance accessibility and connectivity for residents. The demand for rental properties remains high, driven by Mumbai's status as a financial and commercial hub.



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Experienced promoters and Strong group support

GCPL is a part of Mumbai based, Gundecha Group, incorporated in 1982 by Mr. Devraj Gundecha having an extensive experience of more than five decades years in the real estate sector. Gundecha group has successfully completed numerous projects till date in prime area of Mumbai. Further GCPL operating under the SPV of Gundecha Builders. GCPL shall continue benefiting from its promoter's and management personnel's industry experience and the group have experienced key management team to carry out the day-to-day operations.

B. Key Rating Weaknesses

Project execution and saleability risk

GCPL exposed to project execution risk, as any delay in completion of project or lower than expected sale of units could result in cost and time overrun and thus impacting the viability of the project. However, these risks are mitigated as GCPL already sold 33% of their share of

Geographically concentrated revenues

The entity had executed four projects which are located in Thane and one ongoing project located at lower Parel Mumbai, the total saleable area resulting in significant geographical concentration. Any downturn in these micro markets may impact the cash flows adversely.

Cyclical nature of the real estate industry, subject to regulations

The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The sector is also subject to multiple regulatory approvals from respective authorities; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

Analytical Approach: Standalone



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Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Real Estate companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

The project under development by the GCPL is funded by a combination of debt, customer advances and promoter funds. The firm is projected to have comfortable cash cover to service its debt obligations as evidenced by above unity cash flow coverage ratio of the project throughout the projections. In addition, availability of escrow mechanism along with DSRA account will ensure the smooth repayments. On an overall basis, projected cash flow appears to be adequate.

About the company

Gundecha Group was incorporated in 1966 and is engaged into real estate, construction, hospitality, education line of business activities. The group has strong in-house expertise across business functions. GCPL was founded by Mr. Devraj Gundecha, he has extensive experience in Real Estate and Construction industry. The Gundecha group has delivered and completed various residential, commercial, and industrial projects in Mumbai alone.

GCPL is a construction company based in Mumbai, Maharashtra. It was incorporated in 1982 by Mr. Devraj Gundecha and since then they have built a reputation for delivering quality and reliability in the real estate sector. Gundecha Construction Private Limited, operating under the SPV of Gundecha Builders, has completed few projects majorly in Thane, palghar region.



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Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	1.35	2.84
EBITDA	-6.51	-1.80
PAT	15.40	-0.33
Total Debt	170.64	195.67
Tangible Net Worth	31.03	23.74
EBITDA Margin (%)	NM^	NM^
PAT Margin (%)	66.23	-7.63
Overall Gearing Ratio (x)	5.50	8.24
Interest Coverage (x)	NM	NM

*Classification as per Infomerics' standards

^Not Meaningful

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Name of Instrument/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
Long term Bank Facilities	Long Term	100.00	IVR BBB/ Stable	(August 03, 2023) IVR BBB-/ Stable	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	--	--	Sep-2027	100.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-gundecha-construction-oct24.pdf>

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

Annexure 4: List of companies considered for consolidated 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.