



Press Release

Gundecha Construction Private Limited

August 03, 2023

Ratings

| Facilities | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|------------------------------|---|--|------------------|-------------------------|
| Long Term Bank Facilities | 100.00 | IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook) | Assigned | Simple |
| Total | Rs.100.00 (Rupees One Hundred Crore Only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Gundecha Construction Private Limited derive strength from experienced promoters & strong group support and favourable location of the project. The rating is however constrained on account of modest project execution and saleability risk, geographically concentrated revenues and cyclical nature of the real estate industry, subject to regulations.

Key Rating Sensitivities:

Upward Factors

- Completion of Project within stipulated cost
- Ability to book balance flats at envisage rate and receive the committed receivables as envisaged leading to timely completion of projects and adequate cash flow generation, leading to strong liquidity position.

Downward Factors

- Delay in completion of project.
- Significant cost overruns of the project.
- Lower than expected booking status.



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List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters and Strong group support

Gundecha Construction Private Limited 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. As Gundecha Group has successfully completed numerous projects to date, with a total saleable area of more than ~59.68 lakh square feet in prime area of Mumbai, Thane. Further Gundecha Construction Private Limited, operating under the SPV of Gundecha Builders, has completed few projects with total saleable area of 5.82 lakh sq. ft. GCPL shall continue benefiting from its promoters' and management personnel's industry experience and the group have experienced key management team to carry out the day-to-day operations.

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.

Sufficient cash flow cover

The project under development is funded by a combination of debt, customer advances and promoter funds. The company is projected to have sufficient cash flow cover to service its debt obligations as evidenced by above unity level cash flow coverage ratio of the project throughout the projections. On an overall basis, projected cash flow appears to be adequate.



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B. Key Rating Weaknesses

Modest project execution and saleability risk

GCPL is currently executing one projects (namely Gundecha KBK Magnum heights) with total saleable area of 1,63,020 sq. ft. located at Mumbai. Further the total project cost remained at Rs.213.21 crore, out of which Rs.65.66 crore (~31%) has been incurred till March 31, 2023, through owned funds of Rs.46.58 crore, bank borrowings of Rs.15.02 crore, and balance Rs.4.06 crore through customer advances. GCPL has sold ~9% of total inventory. Thus, the company is majorly dependant on advances from customers. So, if the company unable to received timely advances as envisage from the customer, then cash flow will be impacted, which might lead to delay in project execution which is key monitorable. Further company has received commencement certificate (CC) for up to 34th floor (out of total sanctioned floors of 41st floors); however, completed construction up to 6th podium, which is considered as nascent stage. Thus, the ability to complete the construction work in timely manner is critical from credit perspective.

Geographically concentrated revenues

The entity is executing four projects which are located in Thane, Palghar region account for 100% of 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.



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Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria of assigning rating outlook](#)

[Rating methodology for Real Estate companies](#)

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

Liquidity: Adequate

The Company's low reliance on booking advances to fund the project compared to promoters' contribution, and debt imparts comfort on the liquidity factor and mitigates the risk of time overrun to a large extent. Gundecha Construction Private Limited is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings. Further, the company is likely to benefit from the resourcefulness of the Gundecha group. Overall liquidity position is expected to be adequate. The cash flow cover of the project is comfortable.

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. Gundecha Construction Private Limited 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.

Gundecha Construction Private Limited 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* | 31-03-2021 (Audited) | 31-03-2022 (Audited) |
|-----------------------------|-------------------------|-------------------------|
| Total Operating Income | 10.88 | 7.90 |
| EBITDA | -2.16 | -3.01 |
| PAT | -2.03 | -3.70 |
| Total Debt | 120.01 | 123.97 |
| Tangible Net worth | 19.33 | 15.64 |
| Ratios | | |
| EBITDA Margin (%) | (19.90) | (38.12) |
| PAT Margin (%) | (16.42) | (43.68) |
| Overall Gearing Ratio (x) | 6.21 | 7.93 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Rating History for last three years:

| Sr. No | Name of Instrument /Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | |
|--------|--------------------------------|--------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Long Term Bank Facilities | Long Term | 100.00 | 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 fund-based - Term Loan | -- | -- | September 30 th , 2027 | 100.00 | IVR BBB-/Stable |



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Gundecha-aug23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.