

Rating Rationale

Ganesh Housing Corporation Ltd.

26 Feb 2020

Brickwork Ratings downgrades the rating of the bank loan facilities of Rs.260 Cr of Ganesh Housing Corporation Ltd.

Particulars

Facility	Amt Rated (Rs. Cr)		Tenure	Previous Rating (Nov 2019)	Present Rating (Downgrade)
	Previous	Present			
Term Loans	260.10	260.10	Long Term	BWR BB+ (Negative)	BWR BB- (Negative)
Total Amt	260.10	260.10			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

BWR has principally relied upon the Audited financial results of Ganesh Housing Corporation Ltd. (GHCL) upto FY 19, unaudited financials for 3QFY20 and publicly available information and information/clarification provided by the Company management.

Rating Action - Downgrade

Downgrade in rating follows further deterioration in operating performance of the company for 3QFY20 and 9MFY20 leading to substantial deterioration in coverage indicators, delay in cashflows which were to be received in Q3FY20 from the sale of one of the land parcels, uncertainty of cashflows for high scheduled debt repayment in 4QFY20 and FY21 and slowdown in the real estate market of Gujarat.

The rating continuous to derive support from extensive experience of the promoters in real estate sector, GHCL's established track record of completed projects, its strong presence in Ahmedabad real estate market comprising of residential and commercial space and integrated township.

The 'Negative' outlook indicates continued deterioration in performance of the company with slump in real estate market which has delayed the launch of new projects with tightening of funding by lenders. As such, BWR does not expect revival in the operating performance of the company in near future. Timely receipt of proceeds from the sale of land parcels for servicing of debt repayment and improvement in operating performance of the company will be the key rating sensitivities.

Analytical Approach: GHCL, which is a listed entity is analysed on consolidated basis. For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Risk Drivers for rating:

Deterioration in operating performance: The Company published its Q3FY20 financials on February 14, 2020. On Consolidated basis during Q3FY20, total revenue declined by 40.25% QoQ to Rs. 46 Cr with net loss widening to Rs. 27 Cr from RS.24 Cr in Q2FY20. Though during 9MFY20, the revenue increased from Rs.72 Cr in 9MFY19 to Rs. 241 Cr, the company incurred operating loss of Rs. 42 CR (P.Y operating profit of RS. 88 Cr) and net loss of Rs. 88 Cr (P.Y net profit of Rs. 44 Cr on consolidated basis.) On standalone basis, the company did not incur any revenue in last two quarters resulting into mounting losses. There has been substantial decline in revenue and profitability at standalone and consolidated basis as most of the projects were completed and revenue was booked in FY18.

Uncertainty of operating cashflows for Repayment in FY20 and FY21: The Company is having outstanding debt of Rs. 571 Cr on consolidated basis and Rs. 345 Cr on standalone basis as on September 30, 2019. These are in the form of term loans from Banks and financial institutions with the average ROI of 13%. Of this debt, principal of approximately aggregating to Rs. 300 becomes payable in next two years.

The company is planning to service the debt obligations by selling of the land parcels. As informed by the company, it had already signed the two deals for the sale of land parcels and had expected the proceeds of Rs.330 Cr which was to be primarily utilized for the repayment of debt obligations. The proceeds which were expected by the end of Q3FY20 are delayed and as per the management proceeds are now expected in Q1FY21.

Slowdown in real estate market of Gujarat: With significant number of regulations being imposed on Real Estate sector, like RERA, GST, and GDCR (Gujarat Development Control Regulation) and also frequent changes in them, had led to the slow down for FY19 on account of lack of confidence regarding the final price of the product. The customers are forseeing implementation of GST and RERA a reason for uncertainty in prices.

Experienced and Qualified Management with established track record: GHCL is one of the oldest and largest Real Estate Development Company in Ahmedabad. Since its inception, it has built a strong presence in Ahmedabad and has developed and sold over 22 million sq. ft. of real estate space, with another 2.45 million sq. ft. currently under development. Mr. Dipakkumar Patel is the Chairman of the company with approx. three decades of experience in the industry. Mr. Shekhar Patel is the Managing Director. The company is listed on BSE and NSE. They are supported by qualified and experienced management team.

Liquidity (Stretched): As on September 30, 2019, on consolidated basis the company had cash and cash equivalent of Rs. 2 Cr.

Key Rating Sensitivities:

Positive: Timely receipt of cashflows from sale of land parcels for servicing of scheduled debt repayments and improvement in operating performance of the company will be credit positive.

Negative: Any further delay in receipt of expected cash flows will further stretch the liquidity of the company and will be credit negative.

About Ganesh Housing Corporation Ltd. (GHCL):

Ganesh Housing Corporation Ltd. (GHCL) is a public limited company engaged in construction of residential and commercial projects in and around Ahmedabad. GHCL was incorporated in 1991 and is promoted by Mr. Shekhar Patel and his family. Till date, the company along with its various SPVs has developed 22 million square feet of projects with 85% of all the development in residential sector.. As on June 30, 2019 company have plans to launch projects having total saleable area of 1.28 million square feet in near future.

The company is planning to launch four projects with the total saleable area of 12,78,043 sq.ft.in next one year . These projects are expected to be completed over the next 2 to 3 years.

Financials:

GHCL	Consolidated		Standalone	
	FY18	FY19	FY18	FY19
Revenue	500	261	208	95
Operating profit	203	77	127	73
Net Profit	51	27	39	11
Networth	967	823	767	767
Total Debt	707	663	429	378
Total Debt to TNW	0.7	0.8	0.6	0.5
Current Ratio	4.3	3.5	4.2	4.7
DSCR	0.5	0.5	0.5	0.5
ISCR	2.0	0.8	2.2	1.3

On Consolidated basis during Q3FY20, total revenue declined by 40.25% QoQ to Rs. 46 Cr with net loss widening to Rs. 27 Cr from RS.24 Cr in Q2FY20. Though during 9MFY20, the revenue increased from Rs.72 Cr in 9MFY19 to Rs. 241 Cr, the company incurred operating loss of Rs. 42 CR (P.Y operating profit of RS. 88 Cr) and net loss of Rs. 88 Cr (P.Y net profit of Rs. 44 Cr on consolidated basis.) On standalone basis, the company did not incur any revenue in last two quarters and incurred the loss of Rs. 40 Cr in 9MFY20.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2020)			Rating History			
		Type (Long Term/Short Term)	Amt (Rs. Cr)	Rating	Nov 2019	July 2019	March 2018	2017
1.	Term Loan	Long Term	260.00	BWR BB- (Negative)	BWR BB+ (Negative)	BWR BBB-(Stable)	BWR BBB (Stable)	BWR BBB-(Stable)
	Total		260.00					

Status of non-cooperation with previous CRA (if applicable): Reason and comments
N/A

Any other information: N/A

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)

For any other criteria obtain hyperlinks from website

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