

## Press Release

Kailash Darshan Housing Development (Gujarat) Private Limited

March 02, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	110.00	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	240.00	ACUITE A-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	350.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed and assigned the long-term rating of '**ACUITE A-** (read as **ACUITE A minus**)' on the Rs.350.00 crore bank facilities of Kailash Darshan Housing Development (Gujarat) Private Limited (KDPL). The outlook is '**Stable**'.

#### Rationale for rating reaffirmation

The rating reaffirmation takes into account the experienced management with established track record of operations, adequate cash flows supported by long-term lease agreements and reputed lessee profile and funding support from promoters. However, it is constrained by lease renewal risk and customer concentration risk along with the company's presence in real estate industry which is of highly competitive and fragmented nature. Going forward timely renewal in lease agreements and maintenance in occupancy levels will continue to remain key rating sensitivity factors.

#### About the Company

Kailash Darshan Housing Development Gujarat Private Limited (KDPL) incorporated in the year 2004, is engaged into the business of film exhibition along with construction and leasing of commercial properties. KDPL operates a four screen multiplex namely 'City Gold' in a commercial complex located at Shyamal, Ahmedabad with total land area of 36,243 sq. ft. and build-up area of 1,26,131 sq. ft. The commercial complex is fully operational and entire area is leased out to four tenants; Reliance Projects & Management Services Limited, Future Retail Limited (ACUITE D), Tata Telecommunications Limited and Tata Teleservices Limited. Apart from this, the company has three other properties viz. a warehouse at Bilaspur-Tauru national highway Haryana leased out to Amazon Seller Services Private Limited, an industrial property at IMT Manesar, Gurugram leased out to Bridgestone India Private Limited and a newly acquired property at Noida, Uttar Pradesh leased out to Samsung Research & Development Institute India. KDPL is promoted by Mr. Chimanlal Agrawal along with Mr. Sanjay Agrawal and is a part of "City Gold" group, also known as "Agrawal Group".

#### About the Group

The group comprises of KDPL, City Gold Entertainment Limited (CGEL) and City Gold Media Limited (CGML). CGEL owns and operates four multiplexes with 14 screens having total

capacity of 2,800 seats. Apart from the multiplex, CGEL has entered into lease agreements with corporates such as SNS Foods and Beverages LLP, Team Lease Services Limited and Airan Limited among others. CGML had acquired Nutan Mill compound at Bapunagar through High Court auction and constructed a multiplex with 4 screens and seating capacity of 419 seats.

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the KDPL to arrive at this rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced management with established track record of operations**

KDPL was incorporated in the year 2004 and is part of Ahmedabad based 'City Gold' group, promoted by Mr. Chimanlal Agrawal and Mr. Sanjay Agrawal. Mr. Chimanlal Agrawal has an experience of over four decades in construction, real estate development and leasing of space and Mr. Sanjay Agrawal has around two decades of experience in the aforementioned industry. KDPL has been engaged in the business of film exhibition and leasing of space for over a decade through its property namely, "City Gold, Shyamal" accommodating a four screen multiplex along with four other corporate tenants. Further, the company had acquired two pre-leased properties in FY2018, and a recently acquired property in FY2021 which are 100 per cent occupied by its various corporate tenants.

The group generates its revenue from film exhibition, real estate development and leasing of space and has developed more than 25 projects spread over 42 lakh square feet of commercial and residential space in Ahmedabad region. Further, the company also operates 6 multiplexes under the brand name 'City Gold' across Ahmedabad region with 22 screens and seating capacity of over 3500. The extensive experience of the promoters along with its established track record of operations is reflected through the long-term lease agreements with its reputed tenants.

Acuité believes that KDPL will continue to benefit from its established track record of operations, experienced management and long standing relationships with the tenants.

##### **Adequate cash flows supported by long-term lease agreements and reputed lessee profile**

KDPL has entered into long term lease agreements with reputed clientele like, Reliance Projects & Management Services Limited, Future Retail Limited (FRL), Tata Communications Limited (TCL) and Tata Teleservices Limited (TTL), with the total leasable area of ~70,587 sq. ft. These agreements have a tenure ranging from 9 to 20 years with price escalation of 12 per cent to 15 per cent, every 3 years.

In addition to this, KDPL had acquired two pre-leased properties in FY2018, one is a warehouse with total leasable area of 1,84,840 sq. ft. at Bilaspur-Tauru National Highway being used as a fulfilment centre by Amazon Seller Services Private Limited and the other is an industrial property with leasable area of 82,385 sq. ft. at IMT Manesar, leased out to Bridgestone India Private Limited, which has been operating its manufacturing plant for over two decades. Recently in FY2021, KDPL has acquired a new property with total leasable area of 3,00,399 sq. ft. at Noida, Uttar Pradesh been leased out to Samsung R&D Institute India for a tenure of 10 years with price escalation of 15 per cent, every 3 years.

For the current year FY2022 till December 2021, KDPL has generated an overall cash inflow of Rs.46.80 Cr which majorly comprises of its lease rent & maintenance income of Rs.45.54 Cr, multiplex income of Rs.0.55 Cr and other income of Rs.0.71 Cr against cash outflow of ~ Rs.49.59 Cr. The cash deficit is on account of onetime additional expenses of Rs.3.50 Cr towards stamp duty & registration charges for its lease agreement with Samsung India in the Noida unit and the balance amount of Rs.0.50 Cr is towards deposit amount payable for

electricity at the same unit. KDPL has met deficit through additional infusion by promoters. Going forward these expenses are not expected to continue. Going forward cash inflow of the company are expected to be in the range of Rs.63 Cr – Rs.69 for the period of FY2022 – FY2024 against the cash outflow in the range of Rs.62 Cr – Rs.50 for the same period. With this, the overall DSCR of the company for FY2022 – FY2024 will therefore be in the range of 1.01 – 1.44 times. Further, for any deficit additional infusion is expected from promoters if required.

## **Weaknesses**

### **Renewal risk and customer concentration risk**

Occurrence of events such as policy decision by key clients to shift their offices to other state or decisions regarding outsourcing, can impact their willingness to continue their lease agreement. However, this risk is mitigated to an extent, given the strategic location of KDPL's properties and its established relations with its tenants. In the event of non-renewal by existing lessee, the future cash flows will be impacted thereby translating to weakening of debt protection indicators. In the event of either of the companies deciding to move out or seeking a renegotiation, the rentals are likely to be impacted. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor.

### **Highly competitive and fragmented nature of industry**

Real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others which could affect the operations. KDPL is exposed to lease renewal risk, i.e. while renewing the lease agreements, any significant renegotiations by the lessees can adversely impact the cash flows. Further, KDPL is exposed to intense competition in film exhibition industry which is fragmented in nature as at lower end there are single screen theatres while on top end there are chains such as PVR, Cinapolis, INOX and Carnival Cinemas, to name a few. Further, there arises a need of timely adoption of technology like facilities enabling 4D movies, etc. The industry is also exposed to regulatory risk which is likely to impact revenue model of the players such as KDPL, thereby impacting its operating capabilities.

## **Rating Sensitivities**

- Timely renewal of lease agreement.
- Decline in occupancy levels leading to cash flows mismatch

## **Material covenants**

None

## **Liquidity Position - Adequate**

KDPL is expected to generate cash inflows in the range of Rs.63 Cr. – Rs.69 Cr. for the period of FY2023 – FY2024 against its cash outflows in the range of Rs.41 Cr – Rs.41 Cr for the same period and the overall DSCR of the company will therefore be in the range of 1.31 – 1.44 times for the same period. Support is also expected from promoters if required as they have infused funds in the past in case of deficit. Unsecured loans stood at Rs.44.49 Cr. as on March 31, 2021 against Rs.0.51 Cr. in FY2020. Acuité expects KDPL to maintain adequate liquidity on account of adequate cushion available between cash out flows and cash inflows and expected support from promoters.

## **Outlook: Stable**

Acuité believes that KDPL will maintain a 'Stable' outlook over the medium term on account of experienced management and established track record of operations. The outlook may be revised to 'Positive' in case if the company generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its collections leading to deterioration of its financial flexibility and liquidity.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	17.05	20.49
PAT	Rs. Cr.	(12.49)	6.81
PAT Margin	(%)	(73.23)	33.23
Total Debt/Tangible Net Worth	Times	8.06	1.03
PBDIT/Interest	Times	3.36	2.79

## Status of non-cooperation with previous CRA (if applicable)

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Feb 2021	Term Loan	Long Term	3.21	ACUITE A-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.90	ACUITE A-   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	3.40	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	10.24	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	18.24	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	0.53	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	11.39	ACUITE A-   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	3.63	ACUITE A- (Withdrawn)
	Term Loan	Long Term	19.42	ACUITE A- (Withdrawn)
	Term Loan	Long Term	3.74	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	11.26	ACUITE A- (Withdrawn)
	Term Loan	Long Term	1.35	ACUITE A-   Stable (Reaffirmed)
	Term Loan	Long Term	21.54	ACUITE A- (Withdrawn)
	Term Loan	Long Term	19.42	ACUITE A-   Stable (Assigned)

07 Feb 2020	Dropline Overdraft	Long Term	3.63	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	21.54	ACUITE A-   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.15	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	11.26	ACUITE A-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	5.60	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	3.74	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	0.53	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	10.24	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	18.24	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	17.49	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	15.15	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	1.33	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.97	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.21	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	11.39	ACUITE A-   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	9.24	ACUITE A-   Stable   Reaffirmed

Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.88	ACUITE A-   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	240.00	ACUITE A-   Stable   Assigned



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### About Acuité Ratings & Research

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