



Press Release
Kailash Darshan Housing Development (Gujarat) Private Limited
May 31, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed 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 reaffirmation

The rating reaffirmation considers experienced management with an established track record of operations, adequate cash flows supported by long-term lease agreements, a reputed lessee profile, and funding support from promoters. It also factors in the improvement in performance of the company on account of increased occupancy levels at the multiplex and an increase in lease rentals on account of the periodic escalation clause. However, it is constrained by lease renewal risk and customer concentration risk, along with the company's presence in the real estate industry, which is highly competitive and fragmented. Going forward, timely renewal of lease agreements and maintenance of occupancy levels will continue to be key rating sensitivity factors.

About the Company

Kailash Darshan Housing Development Gujarat Private Limited (KDPL), incorporated in 2004, is engaged in the business of film exhibition along with the construction and leasing of commercial properties. KDPL operates a four-screen multiplex, namely 'City Gold,' in a commercial complex located at Shyamal, Ahmedabad, with a total land area of 36,243 sq. ft. and a build-up area of 1,26,131 sq. ft. The commercial complex is fully operational, and the entire area is leased out to four tenants; Reliance Projects & Management Services Limited, Tata Telecommunications Limited, and Tata Teleservices Limited. Apart from this, the company has three other properties: 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 the "City Gold" group, also known as the "Agrawal Group".

Analytical Approach

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

Key Rating Drivers



Strengths

Experienced management with an established track record of operations

KDPL was incorporated in 2004 and is part of the Ahmedabad-based 'City Gold' group, promoted by Mr. Chimanlal Agrawal and Mr. Sanjay Agrawal. Mr. Chimanlal Agrawal has over four decades of experience in construction, real estate development, and leasing of space, and Mr. Sanjay Agrawal has around two decades of experience in the 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" which accommodates a four screen multiplex along with four other corporate tenants. Further, the company acquired two pre-leased properties in FY2018 and a property in FY2021 that are 100 percent 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 the Ahmedabad region. Further, the company also operates 6 multiplexes under the brand name 'City Gold' across the Ahmedabad region with 22 screens and a seating capacity of over 3500. The extensive experience of the promoters, along with its established track record of operations, is reflected in 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 a reputed lessee profile

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

In addition to this, KDPL acquired two pre-leased properties in FY2018: one is a warehouse with a 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 a 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 acquired a new property with a total leasable area of 3,00,399 sq. ft. in Noida, Uttar Pradesh, and leased it out to Samsung R&D Institute India for a tenure of 10 years with a price escalation of 15 percent every 3 years.

For the current year FY2023E, the company has generated cash flow of Rs. 30.24 crore against its debt obligation of Rs. 19.49 crore for the same period.

Weaknesses

Renewal risk and customer concentration risk

The occurrence of events such as policy decisions by key clients to shift their offices to other states 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 the existing lessee, future cash flows will be impacted, thereby weakening 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 or leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor.

The highly competitive and fragmented nature of industry

The real estate industry in India is highly fragmented, with most of the real estate developers having a city- or region-specific presence. The risks associated with the real estate industry are cyclical in nature (drop in property prices) and interest rate risk, among others, which could affect 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 the film exhibition industry, which is fragmented in nature as at the lower end there are single-screen theatres while at the top end there are chains such as PVR, Cinapolis, INOX, and Carnival Cinemas, to name a few. Further, there is a need for timely adoption of technology like facilities enabling 4D movies, etc. The industry is also exposed to regulatory risk, which is likely to impact the revenue models of players such as KDPL, thereby impacting its operating capabilities.

Rating Sensitivities

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

Material covenants

None

Liquidity Position Adequate

The liquidity position of the company is adequate, as for the current year FY2023E, the company has generated cash flow of Rs. 30.24 crore against its debt obligation of Rs. 19.49 crore for the same period. KDPL is expected to generate net cash inflows in the range of Rs. 29.93 crore to Rs. 34.41 crore for the period of FY24–FY25 against maturing debt obligations in the range of Rs. 17.57 crore to Rs. 19.49 crore for the same period. The company has also raised funds through unsecured loans from promoters to the tune of Rs. 33.97 crore in FY2023.

Acuité expects KDPL to maintain adequate liquidity on account of the adequate cushion available between cash outflows and cash inflows and the 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 an established track record of operations. The outlook may be revised to 'positive' if the company generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in the event of any significant stretch in its collections leading to deterioration of its financial flexibility and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	34.92	17.05
PAT	Rs. Cr.	4.94	(12.49)
PAT Margin	(%)	14.14	(73.23)
Total Debt/Tangible Net Worth	Times	4.46	8.06
PBDIT/Interest	Times	1.72	3.36

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2022	Proposed Bank Facility	Long Term	3.90	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.88	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	3.74	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.24	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	0.53	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.33	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.21	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.97	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.39	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	10.24	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	15.15	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.02	ACUITE A- Stable (Reaffirmed)
	Dropline Overdraft	Long Term	5.60	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	240.00	ACUITE A- Stable (Assigned)
	Dropline Overdraft	Long Term	3.40	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	0.32	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	17.49	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.35	ACUITE A- Stable (Reaffirmed)
Lease Rental Discounting	Long Term	18.24	ACUITE A- Stable (Reaffirmed)	
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)
		Long		

	Dropline Overdraft	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)
07 Feb 2020	Term Loan	Long Term	19.42	ACUITE A- Stable (Assigned)
	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	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	3.40	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.60	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	1.33	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	0.32	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	1.02	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	15.15	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	17.49	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	3.74	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	0.53	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	1.35	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	10.24	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	18.24	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.87	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.21	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.39	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.88	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.24	ACUITE A- Stable Reaffirmed

HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	240.00	ACUITE A- Stable Reaffirmed
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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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