



Press Release
Kailash Darshan Housing Development (Gujarat) Private Limited
July 11, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	350.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	410.00	-	-

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**'.

Further, Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 60.00 Cr 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. The rating also takes into account the recent acquisition of Lease Rental Discounting Loans from HDFC Bank Ltd and Kotak Mahindra Bank by State Bank of India in April 2024. This strategic move has effectively reduced the company's cash outflows by minimizing the principal repayment obligations over the period of next few years. Further, during FY2024, a property at IMT Manesar was sold, however, the lease rental income remained steady on account of periodic escalation clause. The rating remains constrained by lease renewal risk and customer concentration risk. 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 seven tenants: Reliance Projects & Management Services Limited, Tata Telecommunications Limited, and Tata Teleservices Limited etc. Apart from this, the company has two other properties: a warehouse at Bilaspur-Tauru National Highway, Haryana, leased out to Amazon Seller Services Private Limited; and a R&D 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".

Unsupported Rating

Not Applicable

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 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 Seven other corporate tenants. Further, the company has leased an additional area to Samsung at their R&D Institute at Noida. 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 71,894 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 pre-leased property in FY2018: it 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. In FY2021, KDPL acquired a property with a total leasable area of 3,91,906 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 and recently the company has leased out additional area to Samsung R&D Institute India.

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, Cinepolis, 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.

Liquidity Position

Adequate

KDPL has adequate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.14.14 Cr. in FY2024(Prov) against its maturing debt obligations of Rs.2.46 Cr. for the same period. Apart from that, the company has maintained a DSRA of three months consisting of Principal Instalments and along with Interest payment. Further the company also generates revenue from Multiplex business, Commission Income, Event Income etc which acts as an additional liquidity for the company.

Acuité believes that the liquidity of the company will remain adequate with steady cash inflows from the reputed clientele.

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, presence of DSRA and ESCROW account with waterfall mechanism. 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	53.85	38.43
PAT	Rs. Cr.	5.99	8.89
PAT Margin	(%)	11.12	23.14
Total Debt/Tangible Net Worth	Times	2.62	3.73
PBDIT/Interest	Times	1.42	1.81

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

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
31 May 2023	Dropline Overdraft	Long Term	3.40	ACUITE A- Stable (Reaffirmed)
	Dropline Overdraft	Long Term	5.60	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.33	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	0.32	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.02	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	15.15	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	17.49	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	3.74	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	0.53	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.35	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	10.24	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	18.24	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.87	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.21	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.39	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.88	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.24	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	240.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.90	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.97	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	3.74	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.33	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	0.53	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	0.32	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.35	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	1.02	ACUITE A- Stable (Reaffirmed)
		Long		ACUITE A- Stable

02 Mar 2022	Lease Rental Discounting	Term	10.24	(Reaffirmed)
	Lease Rental Discounting	Long Term	15.15	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	18.24	ACUITE A- Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	17.49	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.21	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.88	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.39	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	9.24	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	240.00	ACUITE A- Stable (Assigned)
	Dropline Overdraft	Long Term	3.40	ACUITE A- Stable (Reaffirmed)
	Dropline Overdraft	Long Term	5.60	ACUITE A- Stable (Reaffirmed)
18 Feb 2021	Dropline Overdraft	Long Term	3.63	ACUITE A- (Reaffirmed & Withdrawn)
	Dropline Overdraft	Long Term	3.40	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.90	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.74	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.53	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.35	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	3.21	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	11.39	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	21.54	ACUITE A- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	19.42	ACUITE A- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	11.26	ACUITE A- (Reaffirmed & Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Term Loan	27 Mar 2024	Not avl. / Not appl.	01 Mar 2039	Simple	350.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	27 Mar 2024	Not avl. / Not appl.	01 Mar 2039	Simple	60.00	ACUITE A- Stable Assigned

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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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