



Press Release
GALAXY INFRA CREATIONS PRIVATE LIMITED
January 23, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	190.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	190.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.190.00 Cr. bank facilities of Galaxy Infra Creations Private Limited (GICPL). The outlook is '**Stable**'.

Rationale for the rating

The rating assigned factors in the inexperience of the promoters in the real estate market, expected leveraged capital structure in the near to medium term, project execution risk and cyclicity in the Indian Real estate Industry. These weaknesses are however partially offset by favourable location of the project and resourcefulness of promoters.

About the Company

Galaxy Infra Creations Private Limited was incorporated on September 3, 2013, and has its registered office in Guwahati, Assam. The Company is promoted by Mr. Deepak Kayal, Mr Manoj Kayal and Ms. Ritu Kayal. The Company is constructing a Residential and Commercial Complex cum shopping mall & hotel, named Galaxy City, having a built-up area in excess of ~14 Lakh Square Feet. The Mall portion shall comprise of anchor and vanilla stores, multiplex, food court and other entertainment zones. The Company proposes to derive its revenue through sale of Residential and Commercial Portion and a mix of lease and sale for the mall portion. GICPL is planning to complete the construction by March 2028.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GICPL to arrive at the rating.

Key Rating Drivers

Strengths

Locational advantages

The Residential & Commercial Complex cum mall is a part of the larger mixed-use development, is located at Borsajai, Beltola, Guwahati on NH 27. Guwahati, being the capital of Assam and the gateway to the Northeast, the mall shall cater to the residents of the city as well as tourists and visitors from other Northeastern states. The development of the project is being undertaken on the national highway to the Northeast and is about 24 km from the Lokpriya Gopinath Bordoloi International airport.

Inexperience of the promoters in the real estate market

The promoters are into the business of cement manufacturing, D.G set, manufacturing of corrugated boxes, manufacturer of asbestos sheet, dealership of corrugated boxes, manufacturing of asbestos sheet. The Promoters have prior experience of running Ascelipious Hospitals Private Limited (Excel Care), a Premium Hospital catering across Northeast From 2017 to 2021. However, promoters/directors of the Company have no prior experience of setting up Real Estate projects and operating malls. However, the company has appointed a few consultants having experience in the real estate for the proposed project.

Expected leverage capital structure

The company's capital structure is expected to remain average marked by modest networth base and high gearing over the medium term. The tangible net worth of the company declined to Rs.2.01 Cr as on 31st March 2023 from Rs.6.18 Cr as on March 31, 2022 due to net losses in FY23. Gearing stood high at 20.46 times as on March 31, 2023 and is expected to increase in the near term as the company with a recent sanction Rs. 190.00 Cr term loan in the current fiscal for developing residential, commercial, mall and a hotel project. The total cost of project is Rs.526.60 Cr which is to be funded partly through Rs.190 Cr term loan and remaining Rs.336.60.00 Cr through promoter's contribution (Equity+ USL+ Internal accruals). The financial closure has been achieved. In this project, up to 31st December 2023, the company has incurred Rs.132.34 Cr which has been funded by term loan of Rs.31.69 Cr and remaining from promoter's funding. The promoters are resourceful and will infuse any incremental funding requirement if the situation arises. The scheduled date of commercial production is 1st April 2028. Acuité believes that going forward the financial risk profile of the company is expected to be average due to leveraged capital structure over the medium term.

Project implementation risk

The projects are at nascent stage of execution with only 25% of the estimated project cost incurred till December 30, 2023. The company is constructing a mixed use development consisting of a Hotel, Mall & Multiplex, Commercial & Office and a Residential development in Guwahati, Assam. The company is exposed to execution risk as ~75 per cent of the project cost is yet to be incurred. The hotel project is expected to be completed by March 2027 and the residential, commercial and mall is expected to be completed by March 2028. Ability to execute the project in a timely manner with no cost or time overruns and early stabilization of the project are key credit sensitivities. Acuité would continue to monitor the project progress, and the track record of operations, once commercialised, and take rating actions appropriately.

Susceptibility to cyclicity inherent in the Indian real estate industry

The real estate segment in India is cyclical and affected by volatile prices, opaque transactions, and a highly fragmented market structure. Hence, business risk profile will remain susceptible to risks arising from any industry slowdown.

Rating Sensitivities

- Timely completion of the project without any cost or time overrun.
- Timely stabilization of operations.

Liquidity Position Adequate

The company's liquidity position is expected to remain adequate to support debt servicing in the near-to-medium term on account of presence of escrow accounts to ensure timely repayment. Net cash accrual is expected to be adequate, post completion too. The promoters are expected to infuse equity and unsecured loans to support the business. However, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

Outlook: Stable

Acuité believes that GICPL will maintain a 'Stable' outlook on the basis of the positive outlook

in the real estate industry. The outlook may be revised to 'Positive' in case of timely stabilization of operations. Conversely, the outlook may be revised to 'Negative' in case of slippages in project execution, significant cost over-run resulting in deterioration in the liquidity and leverage position on a prolonged basis.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1.09	2.12
PAT	Rs. Cr.	(4.17)	0.30
PAT Margin	(%)	(383.81)	14.10
Total Debt/Tangible Net Worth	Times	20.46	3.40
PBDIT/Interest	Times	(7125.21)	1.80

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

None

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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	01 Mar 2038	Simple	50.00	ACUITE B+ Stable Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	01 Mar 2038	Simple	140.00	ACUITE B+ 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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