



Press Release

Grand Canyon SEZ Private Limited [GC SEZ]

January 23, 2021

Rating

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long term Loan-LRD facility	300.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)*	Assigned
	Total	300.00 (Three Hundred Crore)		

*LRD-Lease Rental Discounting

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced promoters and management team, Location advantage and Renowned Lessees minimising counter party risk, Maintenance of DSRA and Escrow account. The rating however is constrained by uncertainty related to finalisation of unleased portion, Renewal risk of Master Lease Agreements and significant exposure to group entities.

Key Rating Sensitivities:

Upward Rating Factor:

- Entering of long term lease agreement for remaining areas covering the tenor of LRD leading to generation of adequate cash surplus.

Downward Rating Factor:

- Any significant decline in the cash surplus from current level.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters and Management team

Grand Canyon SEZ Private Limited belongs to ASF group which specializes in state-of-the-art infrastructure and build-to-suit commercial buildings. GC SEZ is promoted by ASF Buildtech Private Limited. In 2011, GC SEZ was incorporated and the lease rental related



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business from the building – B3 'Grand Canyon' was transferred to GC SEZ vide High Court order dated 10th Dec, 2015 w.e.f. 01st April, 2014.

The promoters of the company have a long track record of more than two decades in the real estate sector. A team of qualified & experienced management supports the promoters for managing its operations.

Location advantage and Renowned Lessees minimising counter party risk

The location of project is in Gurgaon-Faridabad Highway, which is one of the popular hubs for the MNCs including IT & ITes. The location has also cost advantage as compared to others available commercial real estate. The rents are economical and also the project has an SEZ status which provides various tax benefits. The company complex is operational with the lessees of either reputed multinationals or are of International repute Like IBM India, EXL services, Mercer, and others.

Maintenance of DSRA and Escrow account

The total rated facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Account (DSRA) equivalent to 3 month's Principal + Interest. As per the escrow mechanism, the lessee would directly deposit the monthly lease rentals in the bank on monthly basis based on the pay-in dates as per the lease agreements and the fund will be utilised as per the cash flow ring fencing.

Key Rating Weaknesses

Uncertainty related to finalisation of unleased portion

The total rental area up to which the rental should be escrowed is 5.54 lakh Sq.Ft. Out of which presently the company has leased out 4.87 lakh Sq. Ft. So, unleased portion of around ~12.09% area creates uncertainty to the projected cash flows. However, GC SEZ is into the advance talks with many of the expected lessee for leasing remaining area in the next three to six months.

Renewal risk of Master Lease Agreements

Renewal risk arises from the fact that the master lease agreements have been entered with different parties for various tenors ranging from only 5 to 10 years. However, there is an



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existence of lock in period ranging from 36 months to 60 months. Majorly, the lease rent is being enhanced after expiry of every 3 (three) years at the rate of 15% over the last paid lease rent. Around 57.78% of the current leased area or lease agreement is going to expire by 31st March, 2025.

Significant exposure to group entities

GC SEZ has significant exposure towards group entities it has given short term loans & advances to related party. However, there is decline in such amount of exposure from ~INR. 153.48 Crore as on March 31, 2019 to INR73.58 Crore as on March 31, 2020.

Analytical Approach & Applicable Criteria:

- Standalone: The rating assigned is an opinion on the serviceability of the Existing LRD only.
- Rating Methodology for Structure Debt Transaction (Non- securitization transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company has an adequate liquidity position. The surplus generated from lease rental business is sufficient to meet the debt obligations. The LRD facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Account (DSRA) equivalent to 3 month's Principal + Interest.

About the company

Grand Canyon SEZ Pvt Ltd (formally known as Idyllic Buildcon Private Limited), is a special purpose vehicle incorporated in 2011 and it is owned by ASF Buildtech Private Limited (ABPL; 77% stake) and ASF Insignia SEZ Pvt Ltd (ASF; 23% stake). Grand Canyon is an iconic corporate tower with total leasable space of approximately 11.99 lakh sq ft in the processing zone of ASF Insignia. It has signed lease agreements for Building B3 with leading IT MNCs like IBM, EXL, Mercer and others.

Total outstanding debt as on December-2020 is INR906.22 Crore, which comprises of LRD Loan of INR299.56 Crore and OCD invested by the holding company (ASF Buildtech) to the tune of INR606.66 Crore



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Financials (Standalone)

INR in Crore

For the year ended / As on	31-Mar-19	31-Mar-20
	(Audited)	(Audited)
Total Operating Income	32.08	33.02
EBITDA	28.87	16.16
PAT	-75.88	-129.47
Total Debt	744.02	765.80
Tangible Net Worth	-195.18	-324.64
EBIDTA Margin (%)	89.98	48.94
PAT Margin (%)	-159.41	-346.13

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan-LRD Facility	Long Term	300.00	IVR BBB-/ Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. No	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term Loan-LRD Facility	--	--	August-2035	300.00	IVR BBB- /Stable Outlook