

Grading Rationale

18 Oct 2019

World Trade Center, GIFT City, Gujarat

Brickwork Ratings assigns “BWR Ahmedabad 5 Star” for the Project Grading of World Trade Center, GIFT City , Ahmedabad , Gujarat.

The Grading assigned is valid for one year and is subject to an annual surveillance.

PROJECT BACKGROUND

[\(https://www.wtcgiftcity.org/\)](https://www.wtcgiftcity.org/)

The **World Trade Center (WTC)** is being developed in **GIFT City, Gujarat**. World Trade Center Project has been allotted a land mass of 5 acres in GIFT City, Gandhinagar and it is being developed by WTC Noida Development Company Pvt. Ltd, operating under the brand name of VIRIDIAN RED, an arm of Viridian Group.

World Trade Centers are sites recognized by the World Trade Centers Association. World Trade Center Association (WTCA), New York, USA grant licenses to various top notch real estate developers in different countries to develop WTC and use their brand name for connecting global businesses. As in 2019, World Trade Centers are spread across 330 cities in 100 countries. Gujarat International Finance Tec-City (GIFT City) is a business district promoted by the Gujarat government through a joint venture company as the country's first International Financial Service Centre (IFSC). GIFT City consists of a conducive Multi-Service SEZ (Special Economic Zone) and an exclusive Domestic Area. It is an integrated development on 886 acres of land with a proposed 62 mn sq. ft. of Built Up area. The aim is to develop a world class smart city that becomes a global financial hub with the development of an International Financial Services Centre.

WTC project is registered with Gujarat RERA authority. It includes 4 towers: 4 commercial towers containing premium Grade A office space as well as retail space and commercial studio apartments with a total saleable area of around 1.32 Millions (13.2 lacs) Square sq. ft. The construction of the project commenced in July, 2015 on a land area of 5 acres, and as per norms of the GIFT city board ,the adjoining area of around 3 acres will be developed by GIFT Authorities for beatification in the form of open spaces (park/ garden) and common use areas.

Grading Criteria

Factor	Remarks
<u>Project Risk</u>	
Location & Infrastructure	Low Level of Risk
Legal Status	Clear, no legal disputes reported, as per client. Majority approvals available.
Project Management – Cost & timelines	Proven past track record. Expenses incurred as per estimate. Project construction is on schedule.
Vendor Analysis	Engaged quality vendors with proven track record
Supply Management	Internal systems are in place included well defined qualified team
Quality Management	Internal monitoring system ensures quality as per norms
<u>Management & Business Analysis</u>	
Business Risk Analysis	[Moderate Risk] project completed 68% , 87% booked
Financial Strength Analysis	(Rated- BWR BB in Oct 2019 by BWR)
Management Analysis	[Moderate Risk] Well experienced and qualified with established track record and reputation.
<u>Financial Risk</u>	
Funding Risk	No Bank Loan as of now. The company has been recently rated (BWR BB) rated for a proposed term loan of Rs. 75 Crs. Till now the company has been operating on the Advances from Customers.
Cash Flow Analysis	Adequate funds available for completing the project. Also, the company till now has been completely free of any form of Bank Debt and have been managing the operations with sales inflows.

Grading Assumptions

- WTC Noida Development Company Pvt Ltd has confirmed that they have not delayed any project till date, have delivered in the past and will deliver in future as per the committed schedule.
- BWR has solely relied upon the documents and information provided by firm for this project and publicly available information about the industry and the project

Grading Factors

Based on the assumptions stated, the quality measures taken into consideration for the Landscape Construction, Structural Consultants, Civil Contractors, and MEP works and other facts and information as furnished by the client as on 30 June, 2019 the project is on track as per given project schedule, we are of the opinion that the WTC GIFT City, Gujarat project will be delivered as per schedule as mentioned in with all quality measures therein.

SWOT Analysis

☐ **Strength:**

- **WTC** is one of the biggest and most premium brands of Commercial Spaces.
- All the statutory clearances/approvals for the projects have been received and **68% of the structure has already been constructed** and around **87% of the saleable area has already been sold**.

☐ **Weakness:**

Subdued Market Sentiment in Realty :- With various back to back reforms of the govt., a slump in the consumption pattern and liquidity crunch in the market due NPAs and NBFCs crisis ; may put a brake on the growth trajectory of the economy and normalization may take some time.

□ **Opportunities:**

With a robust growth in service sectors , IT/ITES , BFSI , Telecom ; demand of office spaces by MNCs and establishment of India as the brightest spot of World Economy has fuelled an unprecedented demand for Office Spaces. Structural reforms and a refined framework for establishing Real Estate Investment Trusts (REITs) have propelled developers to build quality offices. The incremental leasing, as well as rental demands for **GRADE A office spaces**, are continuously reducing the unused inventory.

□ **Threat:**

Unfortunately ,due to global macroeconomic uncertainties and complexity, **Gujarat International Finance Tec-City (GIFT City)** a business district promoted by the Gujarat government through a joint venture company as the country's first **International Financial Service Centre (IFSC)** could not take off as expected. Furthermore, in June 2018 , The 50% stake holder in the GIFT City project, Infrastructure Leasing & Financial Services Limited (IL&FS) defaulted on the repayment of interest to its bondholders. Now, IL&FS is completely out of the picture of GIFT City project and Govt. of Gujarat and the Central Govt. is actively looking forward to rope in new investors to ensure that there is timely execution of their Dream project. On a positive note, Currently approximately 200 units/companies are operational with around 10,000 people employed in the GIFT City. Many premium Real estate developers like Prestige, Shobha, Brigade ,etc are coming up with their Commercial , Retail and Residential ventures in the GIFT.

Risk Analysis

- **Project Risk:** The project is registered with Gujarat RERA authority. 68% of the structure (3 Towers out of 4) of the WTC Project at GIFT City has already been constructed and around 87% of the saleable area of WTC GIFT City, Gujarat has already been sold for a value of Rs. 783.03 Crs , of which Rs. 650.12 Crs have already been received. Structures for Tower A,B and D have already been erected and now the finishing work is in progress , while for Tower C, only PCC work has been done till now.

The means of finance for all the costs incurred are the Advances from the customers. The client has already delivered 2 commercial projects with a saleable area of 1.5 million square ft in Greater Noida, the major chunk of which is occupied by VIVO (an MNC in mobile manufacturing & Distribution) Mobile India Pvt. Ltd. Of all the operational projects at different locations, having a saleable area of 73.91 lacs sq/ft , 53.35 lacs have already been sold , which constitute more than 72% of the saleable area. The monetary value of the total sold area is Rs. 3523.31 Crs , of which an amount Rs. 2543.23 Crs. have been received as on 30-06-2019.

The activities of the company is being carried out with the assistance of a team of

qualified technical, production, and finance professionals having adequate work experience and appropriate industrial background. They are managing the other projects effectively. Moreover, the supply of raw material and manpower will not be an issue as they are easily available locally. Tower A&D are to be delivered in Dec, 2019 , Tower B in Dec,2020 and Tower C in March,2021. The construction is in progress and most likely to be delivered on time.

- **Management Risk:** Promoter, Mr. Ashish Bhalla is an Urban Designer and Development professional with over 20 years of diversified experience across urban planning, land economics, participatory design and development. Mr. Bhalla has worked extensively across the United States, Italy, SE Asia and India in both the private and public spheres. He has been on the faculty at various schools of architecture and planning in the country, and brings an integrated understanding of Various development, community and business domains. Mr. Ashish Bhalla holds a Master's Degree in Urban Design from the University of California, Berkeley, where he was a Regents Fellow, and is an Architect from The School of Planning and Architecture, New Delhi. Strong Promoter Profile and the grant of 13 licenses by WTCA gives a strong credibility to company's ability.

- **Financial Risk:** The company as of now stands with a negative net worth due to accumulation of losses over the years, with a networth of Rs. -350.01 Crs as per FY19 provisional financials.

As a major chunk of the saleable area has been sold and a significant amount of the sale value has already been received , it may tweak the topline in coming years. Also there is a significant current and non-current investment in subsidiaries/related parties to the tune of Rs. 612.65 Crs as per FY19 Provisional financials. However, these advances are given for furtherance of business and are investments backed by land assets.

Fluctuations in market dynamics over the next few years during the completion of the project coupled with execution risk , considering the large size of the project with a significant cost to be incurred yet may trouble the company. The company has not considered any contingency fund as part of the total project cost. However any further increase in project cost should be borne by promoters from their own sources.

Key Financial indicators of the company

Key Parameters	Units	FY 18.	FY 19
Result Type		Audited	Provisional
Operating Income	Rs in Crs	304.1	123.22

EBITDA	Rs in Crs	20.13	-33.76
Net Profit	Rs in Crs	-41.95	-115.29
Tangible Net worth	Rs in Crs	-234.74	-350.01
Total Debt/Tangible Net worth	Rs in Crs	-5.78	-4.86
Current Ratio	Times	0.47	0.46

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