

Calyx Merlin Buildcon LLP

June 28, 2017

Rating

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long-term Bank Facilities	20	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total Facilities	20 (Rupees Twenty crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key rating drivers

The rating assigned to Calyx Merlin Buildcon LLP (CMBLLP) is constrained on account of project execution and marketing risk, pending financial closure for the project, low booking status and advances received from booked units, competition from other real estate players in the region along with cyclical nature of the industry and constitution of the firm as a partnership concern.

The above weaknesses are partially offset from considerable experience of the partners in the real estate industry, strategic location of the project and receipt of approvals and proposals.

The ability of the firm to execute the project as per the schedule and within envisaged cost thereby enabling timely inflow of the receivables and sale of the inventory as estimated are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: Pune-based Calyx Group has more than 20 years of experience in the real estate industry. The group has adequate land bank and has completed 21 projects. Merlin Group has extensive experience of over 50 years in the real estate industry and also has an established market position in Kolkata. However, in the past four years, the groups have entered in JV's to develop properties in Raipur, Ahmadabad, Chennai, Kanpur, Bhubaneswar and Pune with a focus on mid income segment.

Strategic location of the project: The project is well-connected to the commercial and residential hubs of Pune, with reputed educational institutes, IT parks and MIDC located right in its vicinity. Furthermore, the company also markets the project through the advertisement in print media and participates in exhibitions.

Receipt of approvals and clearances for the project: CMBLLP has received all the necessary clearances and approvals for the project related to land acquisition and construction. The requisite sanction plan of the Phase II of the said project has been approved under PMRD (Pune Municipal Region Development Authority). Apart from these, CMBLLP has received the necessary clearances and approvals for the project related to commencement certificate, environmental, pollution, and fire related approval. However, the project has not attained RERA (Real Estate Regulatory Authority) certificate however, will be shortly applying for the same.

Key Rating Weaknesses

Project execution and marketing risk with low booking status: The execution of the project commenced in March 2017 and is expected to be completed by March 2020. The firm has incurred around 14% of total cost on the project as on March 31, 2017. Furthermore, CMBLLP has sold the area of 0.15 lsf (*about 14% of the total saleable area*) and has received the advances of 4% of sold area and balance 96% is expected to be received in the phase-wise manner as per the progress of the project. Thus, the project execution risk remains high as significant required work is yet to be done. CMBLLP also faces competition from other developers developing the properties in the locality. Furthermore, with low booking status the ability of the firm to sell the property at envisaged rates in a timely manner shall be critical from the perspective of credit.

Cyclical nature of the real estate industry: The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction.

Presence in a competitive environment: The real estate industry in India is highly fragmented with most of the real estate developers having region-specific presence. CMBLLP faces competition from other real-estate developers who exist with residential projects in Pirangut, Pune such as Vilas Javdekar Developers, Mont Vert Homes, Earnest and Shah Venture

¹ Complete definition of the ratings assigned is available at www.careratings.com and other CARE publications.

Company, N G Rathi Associates etc. and such other upcoming projects. However, the partner's has a good understanding of the region and its dynamics which partly mitigates this risk.

Partnership nature of its constitution limiting the financial flexibility of the firm: Being partnership nature of constitution, the firm is exposed to the risk of withdrawal of capital by partners due to personal exigencies, dissolution of firm due to retirement or death of any partner and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Manufacturing Companies](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

Established in 2012, Calyx Merlin Buildcon LLP (CMBLLP) is an SPV formed by Calyx Group & Merlin Group and is executing a residential project in Pirangut, Pune. Calyx Group based out of Pune is into real estate business since 1998. The Calyx group has completed around 21 projects in Pune and nearby areas with a total saleable area of 18.35 lakh sq. ft. Kolkata based Merlin Group have over 30 years of experience in the Real Estate & Hospitality. The group has till date completed over 120 projects spanning 175 lakh square feet (Isf).

CMBLLP is currently undertaking a residential project named "Navya Aangan – Phase II" consisting of two buildings (Building A and B) and commercial shops at Pirangut, Pune with saleable area of 1.10 Isf (excluding land owner's share) at an estimated cost of Rs.33.90 crore and estimated total revenue of Rs.45.03 crore. The project is expected to complete by March 2020.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Proposed fund-based limits	-	-	-	20.00	CARE B+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - Proposed fund-based limits	LT	20.00	CARE B+; Stable	-	-	-	-

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