

## Calyx Merlin Buildcon LLP

December 02, 2019

### Rating

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	20.00	<b>CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer not cooperating*)</b>	<b>Issuer not cooperating; Based on best available information</b>
<b>Total Facilities</b>	<b>20.00 (Rupees Twenty crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE had, vide its press release dated October 03, 2018, placed the rating of Calyx Merlin Buildcon LLP (CMBLLP) under the 'issuer non-cooperating' category as CMBLLP had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. CMBLLP continues to be non-cooperative despite repeated requests for submission of information through email dated November 11, 2019 and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on October 03, 2018 the following were the rating strengths and weaknesses

#### 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 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.

#### 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

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer not cooperating; based on best available information

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.

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

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

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

[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 (lsh). 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 lsh (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.

**Financials-** Latest financials not available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

#### 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; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information

#### 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Proposed fund based limits	LT	20.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (03-Oct-18)	1)CARE B+; Stable (28-Jun-17)	-

\*Issuer did not cooperate; based on best available information

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Name: Mr. Mradul Mishra  
Contact no.: +91-22-6837 4424  
Email ID: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Group Head Name: Ms. Prateechee Misra  
Group Head Contact no.: 020 - 40009026  
Group Head Email ID: [prateechee.misra@careratings.com](mailto:prateechee.misra@careratings.com)

### Business Development Contact

Name: Mr. Rahul Nigam  
Contact no. : 020 - 40009051  
Email ID: [rahul.nigam@careratings.com](mailto:rahul.nigam@careratings.com)

### About CARE Ratings:

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