Galaxy Real Estate Developers and Builders Private Limited

February 11, 2019

Rating

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Long-term Bank Facilities	8.00	**CARE B; Stable ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)**	Issuer Not Cooperating; Revised from CARE B+; Stable (Single B Plus; Outlook:Stable) on the basis of best available information
Total	**8.00 (Rupees Eight crores Only)**		

Details of instruments/facilities in Annexure-1

Detailed rationale and key rating drivers

CARE has been seeking information from Galaxy Real Estate Developers and Builders Private Limited to monitor the rating(s) vide e-mail communications/letters dated December 14, 2018, December 11, 2018, December 04, 2018, October 10, 2018, October 08, 2018, September 17, 2018 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. 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. The rating on Galaxy Real Estate Developers and Builders Private Limited facilities will now be denoted as **CARE B; Outlook: Stable ;ISSUER NOT COOPERATING.**

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

The rating has been revised by taking into account no due-diligence conducted due to non-cooperation by Galaxy Real Estate Developers and Builders Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating takes into account project implementation risk of Shivalik Nilay (SN) and saleability risk associated for unbook flats and subdued outlook for the cyclical real estate sector. The rating, however, continue to draw comfort from experienced promoter with established track record in executing real estate projects and comfortable booking in Shivalik Mittals Attalika (SMA).

Detailed description of the key rating drivers

At the time of last rating on December 18, 2017, the following were the rating weaknesses and strengths.

Key Rating Weakness

Project implementation risk of Shivalik Nilay (SN) and saleability risk associated for unbook flats

The company undertook SN project in December 2016 for construction of 117 residential 3BHK flats. It has envisaged total project cost of Rs.37.80 crore towards the project to be funded through term loan of Rs.7 crore, customer advances of Rs.25 crore and remaining through promoter's contribution. As on November 2017, the company have incurred total cost of Rs.8.00 crore towards the project funded through booking advances of Rs.3 crore from customers and remaining through promoters fund. The project is envisaged to be completed by December, 2021 and hence, project implementation risk is associated with GRE to complete the project within envisaged time and cost parameters. Further, it has not tied up with bank for term loan. Further, saleability risk is also associated with GRE for un-booked units of both projects, SMA and SN. CARE is unable to comment on the same due to non-cooperation by the client.

Subdued outlook for the cyclical real estate sector

The real estate industry in India is highly fragmented with most of the real estate developers having a cityspecific or region-specific presence. Real estate investments worldwide have been driven by one or several themes based on the economic growth. The major drive in India is expected to come from housing, organized retailing, hospitality etc. Strong economic growth, huge population, large skilled workforce, growing employment and increasing purchasing power has kick-started the growth in real estate market in India. The risks associated with real estate industry are - cyclical nature of business (linked to economic cycle), interest rate risk, roll back of income tax benefits etc. Further, in light of the on-going economic downturn, the sector is facing issues on many fronts. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals etc. thereby resulting in stress on cash flows. Further,

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information* the banks have already taken a cautious approach to the real estate lending and reduced their exposure to the sector and hence, most developers now rely on the private players for the project funding.

Key Rating Strengths

Experienced promoter with established track record in executing real estate projects

Mr. Sanjay Jain has wide experience of more than a decade in the real estate sector and has constructed 10 residential as well as commercial projects. He looks after overall affair of the company and is assisted by second tier management.

Comfortable booking in Shivalik Mittals Attalika (SMA)

The company is developing SMA project in revenue sharing agreement where it will share 34% revenue with land owner. Under this project, the company is developing 240 units of which 120 2BHK units and 120 3bhk units. Till December 01, 2017, the company has booked 180 units (120 -3BHK and 60-2BHK units) having sales value of Rs.34 crore and has received booking advances of Rs.28 crore. The company has comfortable booking in SMA as project of the company will complete in January 2018. It has incurred total cost of Rs.28 crore towards the project and will incur additional cost of Rs.1 crore to complete the project. CARE is unable to comment on the same due to non-cooperation by the client.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer]
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Methodology – Service Sector Companies]
[CARE's Policy on Default Recognition]
[Financial ratios – Non-Financial Sector]

About the Company

Kanpur (Uttar Pradesh) based Galaxy Real Estate Builders & Developers Private Limited (GRE) was incorporated in January 2005 by Mr Sanjay Jain, Mrs Meenu Jain, Mrs Niharika Gupta. GRE is engaged in real estate activities.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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.*

Analyst Contact
Name: Mr Achin Nirwani
Tel: +91-11-45-333-228
Email: achin.nirwani@careratings.com

****For detailed Rationale Report and subscription information, please contact us at** www.careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.
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-Term Loan	-	-	June 2019	8.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	8.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (18-Dec-17)	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691