

Omaxe Limited

January 7, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1,370 (enhanced from Rs.1,070)	CARE BBB-; Negative (Triple B Minus; Outlook: Negative)	Revised from CARE BBB-; Stable
Long-term/Short-term Bank Facilities	130	CARE BBB-; Negative/ CARE A3 [Triple B Minus; Outlook: Negative/ A Three]	Revised from CARE BBB-; Stable/ CARE A3
Total	1,500 (Rupees one thousand and five hundred crore only)		
Medium-term instruments- Fixed Deposit	200.00	CARE BBB (FD); Negative [Triple B (Fixed Deposit); Outlook: Negative]	Revised from CARE BBB (FD); Stable

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities and fixed deposits of Omaxe Ltd continue to derive strength from promoter's experience in the real estate business, large land bank, operational progress in terms of collections from projects and proven track record of timely execution of the projects. The ratings, however, remain constrained on account of weak financial performance characterized by elevated debt levels, declining realizations per square feet, execution risk for ongoing projects with dependence on customer advances and off-take risk due to subdued demand scenario in the real estate sector. CARE has also taken cognizance the legal petition filed with National Company Law Tribunal (NCLT) by erstwhile Joint Managing Director - Mr. Sunil Goel against the elder brother Rohtas Goel for malpractices and financial mismanagement in the company.

Going forward ability of the company to execute and deliver projects and maintain sales momentum/ collections and improve its capital structure shall remain the key rating sensitivities.

Outlook: Negative

The revision in the rating outlook from stable to negative is on account of CARE's belief that continued slump in the real estate sector along with rising input costs, low deliveries and declining realization are likely to impair cash flows of Omaxe Ltd amidst large debt repayment obligations in the medium term. Further any adverse outcome against the company with respect to the legal tussle between the promoters may also impact the business operations. The outlook may be revised to stable in case the company is able to gain sales momentum with healthy cash collections without resorting to debt refinancing and any relief on the ongoing legal case with NCLT.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and track record of project execution: The Company derives strength from the experience of the founder promoter, Mr Rohtas Goel, who holds a Diploma in Civil Engineering and has an experience of over 25 years in the field of construction and real estate development. The other promoters, Mr Sunil Goel and Mr J B Goel, also have more than two decades of experience in construction sector. The promoter group held 74.43% equity in the company as on September 30, 2018. Omaxe has a track record of successful completion of real estate projects, including development of township, group housing, commercial complexes, etc. As on March 31, 2018, Omaxe has developed a total area of 79.20 msf and has delivered 31.80 msf of area as a third party contractor.

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

Large land bank, majority of which is paid for: Omaxe owned aggregate land bank of 5,594 acres as on March 31, 2018, out of which 4,790 acres is being utilized for ongoing projects. In terms of the geographical distribution, about 83% of the land bank (excluding for ongoing projects) is located in Tier-II and Tier-III cities [Chandigarh (383 acres), Indore (226 acres), and Faridabad (26 acres)]. Majority of land cost is already paid for except for land parcels where cost/charges (including EDC/IDC) pertaining to land are payable over a period. The company has a policy of continuously aggregating additional land parcels at its adjoining townships.

Liquidity

The liquidity of the company was moderate with unencumbered cash and cash equivalents stood at Rs.90.54 crore as on March 31, 2018 and Rs.79 crore as on September 30, 2018. The company has been able to generate healthy cash collections from inventory sales (stage payments as well as fresh inventory sale) which amounted to Rs.1493 crore in FY18 and Rs.745 crore during H1FY19.

Key Rating Weaknesses

Leveraged capital structure with high debt repayment obligations: During FY18 the new launches were low across the industry owing to subdued demand and low realizations. Further the project deliveries have also declined from 5.07 msf in FY18 to 3.30 msf in FY17. The bookings status, however, witnessed improvement in comparison with FY17. Omaxe sold 4.98 msf area in FY18 as against 3.20 msf sold in FY17. Major portion of revenues was contributed by ongoing projects in Chandigarh, Faridabad and Lucknow (contributing around 47% of the total operating income). There has been sequential decline in realizations over the past few years from Rs.3372 psf in FY16 to Rs.2956 psf in FY17 which further dipped to 2464 psf in FY18 primarily due to growing revenue contribution from Tier-II cities where plotted sales and realization per square feet have been relatively lower. The overall debt has also increased to Rs.1804 crore as on March 31, 2018 as compared with Rs.1529 crore as on March 31, 2017. The company has significant repayment obligations in the medium term, however stable cash collections of around Rs.745 cr in H1 FY19 have supported the operations. The company's ability to maintain steady flow of collections through stage payments and fresh inventory sales without resorting to refinancing of debt/ additional debt will be a critical for its credit profile going ahead.

Execution risk: As on March 31, 2018, Omaxe had 18 townships, 6 residential group housing (GH) and 5 commercial projects with an estimated saleable area of 88.15 msf under development. The projects are spread across various towns/cities with major presence in Lucknow (22% of saleable area), Allahabad (20%) and Mohali/ Chandigarh (15%) having aggregate saleable area of 58%. Against the aggregate total cost of these projects of Rs.14,412 crore, the company has incurred 59% till March 31, 2018 with considerable costs are yet to be incurred leading to high execution risk. As on the same date, the company has booked sales for approximately 42.31 msf, i.e. 48% of total area with sale value of Rs.9,342 crore. The company has significantly large area under development with low execution level achieved in terms of cost incurred and booking status. However, comfort is drawn from company's successful track record of execution.

Subdued industry scenario: The real estate market in Delhi-NCR has seen slow-down in the sales in past few quarters. Competitive pricing, increased transparency, speedy approvals process, clear land titles, improved delivery and project execution are expected to support growth of the real estate sector. Further, after the implementation of Real Estate (Regulation & Development) Act (RERA) under which 70% of the amount realized from the real estate project from the buyers, from time to time, shall be deposited in a separate account to cover the cost of construction/development and the land cost and shall be used only for that purpose which has led to shortage of free funds.

Legal Issue : The erstwhile joint managing director and the second largest promoter shareholder of the company, Mr. Sunil Goel had approached National Company Law Tribunal (NCLT) and filed a legal petition against the elder brother Rohtas Goel for malpractices and financial mismanagement in the company. The matter is currently sub-judice and the matter is to be heard in NCLT meeting on February 20, 2019.

Analytical approach: CARE has taken consolidated approach for analyzing Omaxe Ltd which has 101 subsidiaries which are primarily land holding companies, the details of which are appended as Annexure-.

Applicable Criteria

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

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

[CARE's methodology for Short-term Instruments](#)

[Rating Methodology – Infrastructure Sector Ratings](#)

[CARE's Methodology for factoring linkages in ratings](#)

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

About the Company

Omaxe Ltd was promoted in March 1989 by Mr Rohtas Goel and Mr Sunil Goel as Omaxe Builders Pvt Ltd. In August 1999, the company was converted into a public limited company and the name was changed to Omaxe Constructions Ltd and later in 2006, the name of the company was again re-christened as Omaxe Limited. The company is currently engaged in the business of real estate development and has presence across 27 cities in 8 states of India. Omaxe has undertaken various projects in the areas of contractual construction, township development, building of commercial complexes, multi-storied apartments, etc. As of March 31, 2018, Omaxe has executed 79.20 million square feet (msf) as a real estate developer and 31.80 msf as third party contractor.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1,652	1,885
PBILDT	550	510
PAT	105	85
Overall gearing (times)	0.74	0.84
Interest coverage (times)	1.41	1.39

A: Audited

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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****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 – A**List of subsidiaries considered for consolidation**

28	Omaxe Housing And Infrastructure Limited	India	100.00	100.00
29	Omaxe Buildhome Limited	India	100.00	100.00
30	Shamba Developers Private Limited	India	100.00	100.00
31	Panchi Developers Private Limited	India	100.00	100.00
32	Atulah Contractors and Constructions Private Limited	India	100.00	100.00
33	Mehboob Builders Private Limited	India	100.00	100.00
34	Mehtab Infratech Private Limited	India	100.00	100.00
35	Omaxe Hitech Infrastructure Company Private Limited	India	100.00	100.00
36	Omaxe Entertainment Limited	India	100.00	100.00
37	Omtch Infrastructure and Construction Limited	India	100.00	100.00
38	Navratan Techbuild Private Limited	India	100.00	100.00
39	Link Infrastructure and Developers Private Limited	India	100.00	100.00
40	Anjaniputra Builders Private Limited	India	100.00	100.00
41	Zodiac Housing and Infrastructure Private Limited	India	100.00	100.00
42	Hamara Ghar Constructions and Developers Private Limited	India	100.00	100.00
43	Jewel Projects Private Limited (Up to 09.02.2017)	India	-	100.00
44	Rivaj Infratech Private Limited	India	51.00	51.00
45	Sri Balaji Green Heights Private Limited	India	75.00	75.00
46	Robust Buildwell Private Limited	India	75.00	75.00

S. No.	Name of Subsidiary	Country of Incorporation	Year ended March 31, 2018	Year ended March 31, 2017
47	Pam Developers (India) Private Limited	India	100.00	100.00
48	Omaxe Forest Spa and Hills Developers Limited	India	100.00	100.00
49	PP Devcon Private Limited	India	75.00	75.00
50	National Affordable Housing and Infrastructure Limited	India	100.00	100.00
51	Kamini Builders And Promoters Private Limited	India	100.00	100.00
52	Kashish Buildtech Private Limited	India	100.00	100.00
53	Shikhar Landcon Private Limited	India	100.00	100.00
54	Capital Redevelopment Private Limited (upto 22.08.2016)	India	-	76.00
55	Omaxe International Bazaar Private Limited	India	100.00	100.00
56	Giant Dragon Mart Private Limited	India	50.00	50.00
B.	Subsidiaries of Omaxe Chandigarh Extension Developers Private Limited			
1	Silver Peak Township Private Limited	India	100.00	100.00
2	Ashray Infrabuild Private Limited	India	100.00	100.00
3	Hiresh Builders Private Limited	India	100.00	100.00
4	Bhanu Infrabuild Private Limited	India	100.00	100.00
5	Aadhira Developers Private Limited	India	100.00	100.00
6	Shubh Bhumi Developers Private Limited	India	100.00	100.00
7	Sanvim Developers Private Limited	India	100.00	100.00
8	Manit Developers Private Limited	India	100.00	100.00
9	Nri City Developers Private Limited (w.e.f. 15.06.2017)	India	100.00	-
10	Caspian Realtors Private Limited	India	100.00	100.00
11	Aashna Realcon Private Limited	India	100.00	100.00
12	Rupesh Infratech Private Limited	India	100.00	100.00
13	Damodar Infratech Private Limited	India	100.00	100.00
14	Daman Builders Private Limited	India	100.00	100.00
15	Dhanu Real Estate Private Limited	India	100.00	100.00
16	Ekapad Developers Private Limited	India	100.00	100.00

17	Ayush Landcon Private Limited	India	100.00	100.00
18	Aradhya Real Estate Private Limited	India	100.00	100.00
19	Dinkar Realcon Private Limited	India	100.00	100.00
20	Davesh Technobuild Private Limited	India	100.00	100.00
21	Sarva Buildtech Private Limited	India	100.00	100.00
22	Hemang Buildcon Private Limited	India	100.00	100.00
23	Sarthak Landcon Private Limited	India	100.00	100.00
24	Chapal Buildhome Private Limited	India	100.00	100.00
C. Subsidiaries of Bhanu Infrabuild Private Limited				
1	Radiance Housing and Properties Private Limited	India	100.00	100.00
2	Aarzo Technobuild Private Limited	India	100.00	100.00
3	Abheek Builders Private Limited	India	100.00	100.00
D. Subsidiaries of Garv Buildtech Private Limited				
1	Ashok Infrabuild Private Limited	India	100.00	100.00
2	Tejpal Infra Developers Private Limited	India	100.00	100.00
3	Glacier Agro Foods Products Private Limited	India	100.00	100.00
E. Subsidiary of Navratan Tech Build Private Limited				
1	S N Realtors Private Limited	India	100.00	100.00
F. Subsidiaries Omaxe Buildhome Limited				
1	Reliable Manpower Solutions Limited	India	99.18	99.18
2	Oasis Suncity Realtors Private Limited	India	100.00	100.00
3	RPS Suncity Promoters and Developers Private Limited	India	100.00	100.00
G. Subsidiary of Omaxe Forest SPA and Hills Developers Limited				
S. No.	Name of Subsidiary	Country of Incorporation	Year ended March 31, 2018	Year ended March 31, 2017
1	Satvik Hitech Builders Private Limited	India	100.00	100.00
H. Subsidiary of Pam Developers (India) Private Limited				
1	Omaxe India Trade Centre Private Limited	India	90.00	90.00
I. Subsidiaries of Pancham Realcon Private Limited				
1	Aviral Colonizers Private Limited	India	100.00	100.00
2	Satkar Colonisers Private Limited	India	100.00	100.00
3	Utkrisht Real Estate and Associates Private Limited	India	100.00	100.00
J. Subsidiaries of Robust Buildwell Private Limited				
1	Anveshan Builders Private Limited	India	75.00	75.00
2	Adesh Realcon Private Limited	India	75.00	75.00
3	Navadip Developers Private Limited	India	75.00	75.00
4	Abhas Realcon Private Limited	India	75.00	75.00
K. Subsidiary company hold by subsidiary companies of Omaxe Limited				
1	Aditya Realtech Private Limited	India	100.00	100.00
L. Subsidiary of Rohtas Holdings (Gulf) Limited				
1	Marine Sands Limited	UAE	100.00	100.00

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	-	-	May 2023	919.24	CARE BBB-; Negative
Fund-based - LT-Term Loan	-	-	March 2022	217.76	CARE BBB-; Negative
Fund-based - LT-Cash Credit	-	-	-	110.00	CARE BBB-; Negative
Non-fund-based - LT-Bank Guarantees	-	-	-	123.00	CARE BBB-; Negative
Non-fund-based - LT/ ST-BG/LC	-	-	-	130.00	CARE BBB-; Negative / CARE A3
Fixed Deposit	-	-	-	100.00	CARE BBB (FD); Negative
Fixed Deposit	-	-	-	100.00	CARE BBB (FD); Negative

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	919.24	CARE BBB-; Negative	1)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)
2.	Fund-based - LT-Term Loan	LT	217.76	CARE BBB-; Negative	1)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)
3.	Fund-based - LT-Cash Credit	LT	110.00	CARE BBB-; Negative	1)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)
4.	Non-fund-based - LT-Bank Guarantees	LT	123.00	CARE BBB-; Negative	1)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	130.00	CARE BBB-; Negative / CARE A3	1)CARE BBB-; Stable / CARE A3 (04-Jun-18)	1)CARE BBB-; Stable / CARE A3 (04-Oct-17)	1)CARE BBB- / CARE A3 (18-Oct-16)	1)CARE BBB- / CARE A3 (17-Nov-15)
6.	Fixed Deposit	LT	100.00	CARE BBB (FD); Negative	1)CARE BBB (FD); Stable (04-Jun-18)	1)CARE BBB (FD); Stable (04-Oct-17)	1)CARE BBB (FD) (18-Oct-16)	1)CARE BBB (FD) (17-Nov-15) 2)CARE BBB (FD) (21-May-15)

7.	Fixed Deposit	LT	100.00	CARE BBB (FD); Negative	1)CARE BBB (FD); Stable (04-Jun-18)	1)CARE BBB (FD); Stable (04-Oct-17)	1)CARE BBB (FD) (18-Oct-16)	1)CARE BBB (FD) (17-Nov-15) 2)CARE BBB (FD) (21-May-15)
8.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (17-Nov-15) 2)Provisional CARE BBB (SO) (28-May-15) 3)CARE BBB (SO) (In Principle) (26-May-15)
9.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (04-Jun-18)	1)CARE BBB (SO); Stable (04-Oct-17)	1)CARE BBB (SO) (18-Oct-16)	1)CARE BBB (SO) (17-Nov-15) 2)CARE BBB (SO) (28-May-15) 3)CARE BBB (SO) (26-May-15)

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