

Omaxe Limited

October 4, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1,070 (enhanced from Rs.1,055)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities	130 (reduced from Rs.145)	CARE BBB-; Stable/ CARE A3 [Triple B Minus; Outlook: Stable / (A Three)]	Reaffirmed
Total	1,200 (Rupees One thousand and two hundred crore only)		
Non-Convertible Debenture (NCD)*	3.33	CARE BBB (SO); Stable [Triple B (Structured Obligation); Outlook: Stable]	Reaffirmed
Medium-term instruments-Fixed Deposit	200.00	CARE BBB (FD); Stable [Triple B (Fixed Deposit); Outlook: Stable]	Reaffirmed

Details of instruments/facilities in Annexure-1

* The above ratings are based on the credit enhancement in the form of Structured Payment Mechanism including operation of Escrow Accounts.

Detailed Rationale & Key Rating Drivers

The ratings for bank facilities, NCD and fixed deposit continue to draw comfort from the promoter's experience, large land bank, stability in operational progress in terms of collections from projects. Furthermore, the ratings continue to factor in consistent deliveries made during FY17 (refers to the period April 01 to March 31), demonstrated track record of executing real estate projects and moderate capital structure. The ratings, however, remain constrained by the aggressive sales and development plans, execution risk for ongoing projects with dependence on customer advances and off-take risk due to subdued demand scenario in the real estate sector. The rating for the NCD issue continues to factor in the credit enhancement in the form of Structured Payment Mechanism (SPM; including operation of Escrow Accounts), required approvals in place for the project 'Omaxe Connaught Place', advanced stage of completion and high booking status in the project.

Going forward, the ability of the company to timely execute and deliver projects, maintain sales momentum/ collections and contain its overall gearing level shall remain the key rating sensitivities.

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 74.99% equity in the company as of 30-June-2017. Omaxe has a track record of successful completion of real estate projects, including development of township, group housing, and commercial complexes

Large land bank, majority of which is paid for: Omaxe owned aggregate land bank of 5,594 acres as on March 31, 2017, 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.

Moderation in operational performance due to industry downturn: Demonetization and uncertainty over implementation of GST had an adverse impact on the real estate resulting in low bookings. Omaxe sold 3.20 msf area in FY17 as against 4.89 msf sold in FY16. Major portion of bookings was contributed by ongoing projects in Bahadurgarh,

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

Indore and Omaxe Connaught place project in Greater Noida (42% of the total area delivered in FY17). However, there has been sequential decline in realization per square feet from Rs.3,476 psf in FY15 to Rs.3,372 psf in FY16 which further dipped to 2,956 psf in FY17. During FY17, overall bookings for 3.20 msf valued at Rs.946 crore (PY: Rs. 1,648 crore). This took total area sold till Mar 31, 2017 to 50.54 msf.

Nevertheless, the company continued its consistent track record of execution with delivery of 5.07 msf area in FY17 (PY: 6.48 msf in FY16). Also, gross collections out of the receivables from ongoing projects during the year stood at Rs.1,577 crore as against Rs.1,406 crore during FY16. The overall financial risk profile has shown marginal decline with elevated overall gearing at 0.73x as on Mar 31, 2017 (PY: 0.63x). Nevertheless, overall gearing ratio continues to be within reasonable levels.

Key Rating Weaknesses

Execution risk in light of aggressive development plan: As on March 31, 2017, Omaxe had 19 townships, 13 residential group housing (GH) and 8 commercial projects with an estimated saleable area of 128.15 msf under development. The projects are spread across various towns/cities with major presence in Lucknow (31% of saleable area), Allahabad (24%) and Mohali/ Chandigarh (15%) having aggregate saleable area of 70%. Against the aggregate total cost of these projects of Rs.23,703 crore, the company has incurred 40% till March 31, 2017 and considerable costs are yet to be incurred leading to high execution risk. As on the same date, the company has booked sales for approximately 50.54 msf, i.e. 39% of total area (PY: 46.89 msf till Mar 31, 2016; 38% of total area) with sale value of Rs.11,963 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.

Analytical approach: CARE has taken consolidated approach for analyzing Omaxe Ltd which has 95 subsidiaries which are primarily land holding companies.

Applicable Criteria

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

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

[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, 2017, Omaxe has executed 75.9 million square feet (msf) as a real estate developer and 31.80 msf as third party contractor.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1,410	1,652
PBILDT	500	550
PAT	77	105
Overall gearing (times)	0.68	0.73
Interest coverage (times)	1.33	1.41

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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About CARE Ratings:

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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-Term Loan	-	-	April 2022	611.50	CARE BBB-; Stable
Proposed Fund-based - LT-Term Loan	-	-	Proposed	190.50	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	110.00	CARE BBB-; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	158.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	130.00	CARE BBB-; Stable / CARE A3
Debentures-Non Convertible Debentures	-	-	December 2017	3.33	CARE BBB (SO); Stable
Fixed Deposit	-	11.50% to 12.50% p.a.	-	100.00	CARE BBB (FD); Stable
Fixed Deposit	-	11.50% to 12.50% p.a.	-	100.00	CARE BBB (FD); Stable

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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 - LT-Term Loan	LT	611.50	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
2.	Fund-based - LT-Term Loan	LT	190.50	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
3.	Fund-based - LT-Cash Credit	LT	110.00	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
4.	Non-fund-based - LT-Bank Guarantees	LT	158.00	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
5.	Non-fund-based - LT/ST-BG/LC	LT/ST	130.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB- / CARE A3 (18-Oct-16)	1)CARE BBB- / CARE A3 (17-Nov-15)	1)CARE BBB- / CARE A3 (09-Oct-14)
6.	Non-fund-based - LT/ST-BG/LC	-	-	-	-	-	-	1)CARE BBB- / CARE A3 (09-Oct-14)
7.	Fixed Deposit	LT	100.00	CARE BBB (FD); Stable	-	1)CARE BBB (FD) (18-Oct-16)	1)CARE BBB (FD) (17-Nov-15) 2)CARE BBB (FD) (21-May-15)	1)CARE BBB- (FD) / CARE A3 (FD) (09-Oct-14)
8.	Fixed Deposit	LT	100.00	CARE BBB (FD); Stable	-	1)CARE BBB (FD) (18-Oct-16)	1)CARE BBB (FD) (17-Nov-15) 2)CARE BBB (FD) (21-May-15)	1)CARE BBB- (FD) (20-Nov-14)
9.	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)	1)CARE BBB (SO) (In Principle) (17-Dec-14)
10.	Debentures-Non Convertible Debentures	LT	3.33	CARE BBB (SO); Stable	-	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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