

## Omaxe Limited (Omaxe)

April 3, 2020

### Ratings

Facilities/ Instrument	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Fund Based Bank Facilities-TL	924.71 (reduced from 919.24)	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]
Long-term Fund Based Bank Facilities-TL (Proposed)	42.29 (reduced from 217.76)	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]
Long-term Fund Based Bank Facilities- CC	110.00 (110.00)	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]
Long-term Non-Fund based Bank Facilities - BG	123.00 (123.00)	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Revised from CARE BBB-; Negative [Triple B Minus; Outlook: Negative]
Long-term/Short-term Non-fund based Facilities – BG/LC	115.00 (reduced from 130.00)	CARE BB+; Stable/ CARE A4+ [Double B Plus; Outlook: Stable/ A Four Plus]	Revised from CARE BBB-: Negative / CARE A3 [Triple B Minus; Outlook: Negative/ A Three]
<b>Total</b>	<b>1,315.00</b> <b>(Rs. One thousand three hundred and fifteen crore only)</b>		
Long-term Instrument (Fixed Deposit)	200.00 (200.00)	CARE BB+ (FD); Stable [Double B Plus (Fixed Deposit); Outlook: Stable]	Revised from CARE BBB (FD); Negative [Triple B (Fixed Deposit); Outlook: Negative]

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The revision in ratings of Omaxe factor in the lower-than-envisaged project collection, its subdued bookings (although trending improvement in 9MFY20), continued slump in the real estate sector and rising input costs. The ratings also factors in the execution of large township projects having relatively higher turnaround time in comparison to Omaxe's debt maturity profile, therefore creating pressure on liquidity.

The ratings continue to remain constrained on account of elevated debt level along with its dependence on fresh debt, execution and saleability risk for ongoing projects along with new launches. The rating also takes into cognizance the legal petition filed with National Company Law Tribunal (NCLT) by erstwhile Joint Managing Director - Mr. Sunil Goel against Mr. Rohtas Goel for malpractices and financial mismanagement in the company.

However, the ratings continues to derive strength from promoter's experience in the real estate business, large land bank, improving average realization in sold spaces in FY19 and 9MFY20 and proven track record of timely execution of the projects.

### Rating Sensitivities

#### Positive factors

- Increase in yearly collection from projects to above Rs. 2,000 cr
- Significant reduction in term loans coupled with increased tenor, leading to increased financial flexibility

#### Negative factors

- Reduction in yearly collection from projects below Rs. 1,400 cr
- Aggressive project launches leading to higher-than-envisaged escalation of total debt
- Adverse impact on business due to the outcome of the legal dispute between the promoters

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

**Detailed description of the key rating drivers****Key Rating Weaknesses*****Lower-than-envisaged collections***

Due to subdued demand, collection from projects in FY20 and FY21 has been revised downward by more than 10% in comparison to that envisaged during last review. Moreover, the development cost for the ongoing projects and new launches as per schedule is expected to add pressure to aggregate project inflows.

Overall booking declined from 4.98 million square feet (msf) in FY18 to 4.00 msf in FY19. However, it showed improvement trend in 9MFY20 with booking of 3.80 msf.

***Execution of large township projects having relatively higher turnaround time***

As on December 31, 2019, Omaxe is executing 18 township projects with saleable area of 70.4 msf. This accounts for ~87% of the total saleable area. The estimated cost exceeds Rs. 11,000 cr. Typically, launches are in phases and inventory generally takes longer time to liquidate (>5 years). Moreover, incremental booking in this segment has been 3.31 msf to aggregate of 38.7 msf in 9 months ended December 31, 2019.

However, majority of the long debt of Omaxe is maturing in next three years (i.e ~80% as on March 31, 2019). Omaxe has incurred ~58% of the township project cost as on December 31, 2019. Due to longer booking horizon and sporadic collection, Omaxe is expected to rely on higher borrowing with stretched tenor to complete projects as per schedule.

***Elevated debt***

As on March 31, 2019 the total debt of Omaxe continued to remain elevated to similar level as that in previous year. Moreover, term loan and fixed deposits continued to remain high at Rs. 1,518 cr as on March 31, 2019 and Rs. 1,383 cr as on December 31, 2019. Given the subdued net project inflow and significant repayment obligation due to relatively shorter tenor loan, Omaxe has been reliant on fresh long term borrowing in the past.

***Execution and saleability risk for ongoing projects along with new launches***

As on December 31, 2019, Omaxe is executing 29 projects in township, group housing (GH) and commercial segments. At aggregate level, 42% of the total cost of Rs. 15,117 cr, is yet to be incurred which possesses execution risk.

Omaxe has 22 small projects where capital outlay is less than 600 cr. Completion rate has been impressive at 91% as on December 31, 2019. However, Omaxe has 6 large projects (excl. Omaxe Chowk) where planned capital outlay is more than Rs. 600 cr per project. Aggregate cost of these projects account for ~71% of the aggregate cost. Project completion has narrowly moved from 49% as on March 31, 2019 to 52% as on December 31, 2019.

On sales front, the 22 small projects have roughly matched completion rate and booking rate (in terms of space) as on March 31, 2019 and December 31, 2019. However, booking in the 6 large projects have moved from 39% of the saleable area as on March 31, 2019 to 44% of the saleable area as on December 31, 2019.

Omaxe has also launched a commercial space called Omaxe Chowk in New Delhi. Omaxe, in this public-private partnership project with Delhi MCD is developing a multi-level parking cum commercial centre at Gandhi Maidan. Till December 31, 2019, the company had already incurred 22% of the cost. Out of the total saleable area of 1.13 msf, the company has already booked 0.03 msf.

Thus, the ability of Omaxe in completing the large projects as well as achieve healthy booking going forward is to be seen.

***Subdued industry scenario***

With the on-going economic conditions, the real estate industry is currently facing issues on many fronts, including subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, etc. thereby resulting in stress on cash flows of developers. The slowdown in service and manufacturing sector has led to moderation in consumer income, impacting demand. Higher interest cost, albeit reduced, has also deterred the home buyers to some extent. The market sentiments indicate no significant trend reversal in Indian real estate market in 2020, given the adverse impact of COVID-19 on Indian economy.

***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.

***Liquidity - Stretched***

Liquidity profile of Omaxe is stretched characterized by subdued net project cash inflow vis a vis sizable debt repayment, high working capital limit utilization and modest cash balance. Fund based working capital utilization has been higher than 85% in trailing 12 months ended Oct'19. Free cash balance was Rs. 91 cr as on December 31, 2019.

**Key Rating Strengths*****Experienced promoters with established track record in real estate sector***

Omaxe 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 two decades in the field of construction and real estate development. The promoter group held 74.15% stake in Omaxe as on December 31, 2019. Omaxe has a track record of successful completion of

real estate projects, including development of township, group housing, commercial complexes, etc. As of March 31, 2019, Omaxe has a track record of executing 116.67 msf as a real estate developer and as third party contractor.

**Large land bank, majority of which is paid for**

As on Dec 31, 2019, Omaxe had approximately 901 acres of land (excluding land on which ongoing projects are being executed) acquired at total cost of Rs. 1,296 crore. Majority of land cost is already paid-for except for land parcels where cost/charges (including EDC/IDC) are payable over a period. The company has a policy of continuously aggregating additional land parcels at its adjoining townships.

**Improved average realization**

The average unit realization has witnessed improvement from FY18 level of Rs. 2,464 psf to Rs. 2,680 psf in FY19 and Rs. 3,005 cr in 9MFY20. Similarly collections have increased from Rs. 1,493 cr in FY18 to Rs. 1,668 cr in FY19 and Rs. 1,243 cr in 9MFY20.

**Analytical approach:** CARE has taken consolidated approach for analyzing Omaxe Ltd which has 101 subsidiaries/ step subsidiaries/ associates which are primarily land holding companies, the details of which are given in Annexure 3.

**Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[Rating methodology for Real estate sector](#)

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

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

**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.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	1,885	1,191
PBILDT	501	663
PAT	85	49
Overall gearing (times)	1.06	1.43
Interest coverage (times)	1.39	1.15

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

**Annexure-1: Details of Instruments/Facilities**

**Annexure-1: Details of 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	924.71	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	March 2022	42.29	CARE BB+; Stable
Fund-based - LT-Cash Credit	-	-	-	110.00	CARE BB+; Stable
Non-fund-based - LT-BG	-	-	-	123.00	CARE BB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	115.00	CARE BB+; Stable / CARE A4+
Fixed Deposit	-	-	-	200.00	CARE BB+ (FD); Stable

**Annexure-2: Rating History of last three years**

Sr.	Name of the	Current Ratings	Rating history
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No.	Instrument/Bank Facilities	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-Term Loan	LT	924.71	CARE BB+; Stable	-	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)
2.	Fund-based - LT-Term Loan	LT	42.29	CARE BB+; Stable	-	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)
3.	Fund-based - LT-Cash Credit	LT	110.00	CARE BB+; Stable	-	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)
4.	Non-fund-based - LT-Bank Guarantees	LT	123.00	CARE BB+; Stable	-	1)CARE BBB-; Negative (07-Jan-19) 2)CARE BBB-; Stable (04-Jun-18)	1)CARE BBB-; Stable (04-Oct-17)	1)CARE BBB- (18-Oct-16)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	115.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Negative / CARE A3 (07-Jan-19) 2)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)
6.	Fixed Deposit	LT	100.00	CARE BB+ (FD); Stable	-	1)CARE BBB (FD); Negative (07-Jan-19) 2)CARE BBB (FD); Stable (04-Jun-18)	1)CARE BBB (FD); Stable (04-Oct-17)	1)CARE BBB (FD) (18-Oct-16)
7.	Fixed Deposit	LT	100.00	CARE BB+ (FD); Stable	-	1)CARE BBB (FD); Negative (07-Jan-19) 2)CARE BBB (FD); Stable (04-Jun-18)	1)CARE BBB (FD); Stable (04-Oct-17)	1)CARE BBB (FD) (18-Oct-16)
8.	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)

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

**Annexure 3:**

Name of the company	Type
Anjaniputra Builders Private Limited	Subsidiary
Ansh Builders Private Limited	Subsidiary
Arman Builders Private Limited	Subsidiary
Atulah Contractors and Constructions Private Limited	Subsidiary
Eden Buildcon Limited	Subsidiary
Ekansh Buildtech Private Limited	Subsidiary
Garv Buildtech Private Limited	Subsidiary
Golden Glades Builders Private Limited	Subsidiary
Green Planet Colonisers Private Limited	Subsidiary
Hamara Ghar Constructions and Developers Private Limited	Subsidiary
Jagdamba Contractors and Builders Limited	Subsidiary
JKB Constructions Private Limited	Subsidiary
JRS Projects Private Limited	Subsidiary
Kamini Builders And Promoters Private Limited	Subsidiary
Kashish Buildtech Private Limited	Subsidiary
Kavya Buildtech Private Limited	Subsidiary
Landlord Developers Private Limited	Subsidiary
Link Infrastructure and Developers Private Limited	Subsidiary
Mehboob Builders Private Limited	Subsidiary
Mehtab Infratech Private Limited	Subsidiary
Monarch Villas Private Limited	Subsidiary
National Affordable Housing and Infrastructure Limited	Subsidiary
Navratan Techbuild Private Limited	Subsidiary
Oasis Township Private Limited	Subsidiary
Omaxe Buildhome Limited	Subsidiary
Omaxe Buildwell Limited	Subsidiary
Omaxe Chandigarh Extension Developers Private Limited	Subsidiary
Omaxe Connaught Place Mall Limited	Subsidiary
Omaxe Entertainment Limited	Subsidiary
Omaxe Forest Spa and Hills Developers Limited	Subsidiary
Omaxe Hitech Infrastructure Company Private Limited	Subsidiary
Omaxe Housing and Developers Limited	Subsidiary
Omaxe Housing And Infrastructure Limited	Subsidiary
Omaxe Infotech City Developers Limited	Subsidiary
Omaxe Infrastructure Limited	Subsidiary
Omaxe International Bazaar Private Limited	Subsidiary
Omaxe Power Private Limited	Subsidiary
Omaxe Rajasthan SEZ Developers Limited	Subsidiary
Omtech Infrastructure and Construction Limited	Subsidiary
Pam Developers (India) Private Limited	Subsidiary
Pancham Realcon Private Limited	Subsidiary
Panchi Developers Private Limited	Subsidiary
Primordial Buildcon Private Limited	Subsidiary
Rohtas Holdings (Gulf) Limited	Subsidiary
Shamba Developers Private Limited	Subsidiary
Shikhar Landcon Private Limited	Subsidiary
Zodiac Housing and Infrastructure Private Limited	Subsidiary
Omaxe New Faridabad Developers Private Limited	Subsidiary
PP Devcon Private Limited	Subsidiary
Rivaj Infratech Private Limited	Subsidiary
Robust Buildwell Private Limited	Subsidiary
Sri Balaji Green Heights Private Limited	Subsidiary



Name of the company	Type
Giant Dragon Mart Private Limited	Subsidiary
Aadhira Developers Private Limited	Step Subsidiary
Aarzo Technobuild Private Limited	Step Subsidiary
Aashna Realcon Private Limited	Step Subsidiary
Abhas Realcon Private Limited	Step Subsidiary
Abheek Builders Private Limited	Step Subsidiary
Adesh Realcon Private Limited	Step Subsidiary
Aditya Realtech Private Limited	Step Subsidiary
Anveshan Builders Private Limited	Step Subsidiary
Aradhya Real Estate Private Limited	Step Subsidiary
Ashok Infrabuild Private Limited	Step Subsidiary
Ashray Infrabuild Private Limited	Step Subsidiary
Aviral Colonizers Private Limited	Step Subsidiary
Ayush Landcon Private Limited	Step Subsidiary
Bhanu Infrabuild Private Limited	Step Subsidiary
Caspian Realtors Private Limited	Step Subsidiary
Chapal Buildhome Private Limited	Step Subsidiary
Daman Builders Private Limited	Step Subsidiary
Damodar Infratech Private Limited	Step Subsidiary
Davesh Technobuild Private Limited	Step Subsidiary
Dhanu Real Estate Private Limited	Step Subsidiary
Dinkar Realcon Private Limited	Step Subsidiary
Ekapad Developers Private Limited	Step Subsidiary
Glacier Agro Foods Products Private Limited	Step Subsidiary
Hemang Buildcon private Limited	Step Subsidiary
Hiresh Builders Private Limited	Step Subsidiary
Manit Developers Private Limited	Step Subsidiary
Marine Sands Limited	Step Subsidiary
Navadip Developers Private Limited	Step Subsidiary
NRI City Developers Private Limited	Step Subsidiary
Oasis Suncity Realtors Private Limited	Step Subsidiary
Omaxe India Trade Centre Private Limited	Step Subsidiary
Radiance Housing and Properties Private Limited	Step Subsidiary
Reliable Manpower Solutions Limited	Step Subsidiary
RPS Suncity Promoters and Developers Private Limited	Step Subsidiary
Rupesh Infratech Private Limited	Step Subsidiary
S N Realtors Private Limited	Step Subsidiary
Sanvim Developers Private Limited	Step Subsidiary
Sarthak Landcon Private Limited	Step Subsidiary
Sarva Buildtech Private Limited	Step Subsidiary
Satkar Colonisers Private Limited	Step Subsidiary
Satvik Hitech Builders Private Limited	Step Subsidiary
Shubh Bhumi Developers Private Limited	Step Subsidiary
Silver Peak Township Private Limited	Step Subsidiary
Tejpal Infra Developers Private Limited	Step Subsidiary
Utkrisht Real Estate and Associates Private Limited	Step Subsidiary
Parkash Omaxe Amusement Park Private Limited	Associate
Capital Redevelopment Private Limited	Associate

**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.

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