

October 30, 2014

Facility	Amount (Rs. Crore)	Rating
Term Loan I	150.00	SMERA BB-/Stable (Assigned)
Term Loan II	150.00	SMERA BB-/Stable (Assigned)
Term Loan III	150.00	SMERA BB-/Stable (Assigned)
Term Loan IV	100.00	SMERA BB-/Stable (Assigned)
Term Loan V	100.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as SMERA double B minus) to the Rs.650.00 crore long-term (fund based) bank facility of Gaursons Promoters Pvt. Ltd. (GPPL). The outlook is '**Stable**'. The rating is constrained by project-specific risks associated with the company's ongoing township project. The rating is also constrained by the company's exposure to intense competition in the real estate sector. The rating factors in risks related to the significant debt servicing obligation of the company against moderate levels of customer advances. The rating also factors in risks related to the company's weak financial risk profile. However, the rating is supported by the company's experienced management and established brand name. The rating also draws comfort from the strong project execution capability demonstrated by the management in the past.

GPPL, incorporated in 2006, is a Ghaziabad-based real estate development company established as a subsidiary of Gaursons India Limited. GPPL is engaged in development of a 112-acre township (named Gaur City 2) comprising 11,000 apartments in Noida.

GPPL is exposed to project specific risks; notwithstanding the healthy demand for the project, the company's debt servicing ability may deteriorate in case the anticipated customer advances are not realized amidst intense competition in the real estate sector.

GPPL's ongoing project is estimated to cost ~Rs.3,250 crore, while the expected revenue from the project is ~Rs.4,200 crore. The company has mobilized customer advances of ~Rs.600 crore and incurred project cost of ~Rs.1,400 crore as on March 31, 2014. GPPL has received disbursement of term loan of ~Rs.800 crore for the project. The company thus has significant debt servicing and repayment obligation (of ~Rs.400 crore per annum) over the medium term. SMERA believes GPPL will mainly rely on customer advances to service and repay its debt obligations. Lower-than-expected inflows from customer advances, or higher-than-expected construction costs will impinge on the company's debt servicing ability.

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GPPL's financial risk profile is marked by high gearing (debt-equity ratio) of 5.5 times as on March 31, 2014. However, the company's gearing is expected to reduce gradually over the medium term on account of upcoming debt repayments and expected accretion to reserves.

GPPL benefits from its experienced management. The directors of the company have around two decades of experience in the real estate sector. GPPL also benefits from the established brand name of its parent entity (Gaurson India Limited) which has constructed ~70 lakh sq. ft. of saleable area till date.

Outlook: Stable

SMERA believes GPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established brand name. The outlook may be revised to 'Positive' in case the company completes the ongoing project according to the scheduled timelines while mobilizing higher-than-expected funds from customer advances. Conversely, the outlook maybe revised to 'Negative' in case of inordinate project delays, lower-than-expected mobilization of funds from customers, or higher-than-expected increase in debt levels.

About the company

GPPL, incorporated in 2006, is a Ghaziabad-based company established as a subsidiary of Gaursons India Limited. GPPL is engaged in construction of residential and commercial projects in Delhi NCR. The company is currently developing a township project (Gaur City 2) comprising 11,000 residential apartments spread over 112 acres in Noida. The overall operations of the company are managed by Mr. B. L. Gaur, Mr. Manoj Gaur, Mr. Iqbal Singh Sodhi and Mr. Manju Gaur.

For FY2013–14 (as per provisional financial statements), GPPL reported profit after tax (PAT) of Rs.35.08 crore on net sales of Rs.431.35 crore, as compared with PAT of Rs.37.12 crore on net sales of Rs.579.34 crore in FY2012–13. GPPL's net worth stood at Rs.180.82 crore (provisional) as on March 31, 2014, as compared with Rs.73.23 crore a year earlier.

Contact List

Media/ Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Vice President –Sales, Corporate Ratings Tel: +91-22-6714 1193 Cell: +91 9819136541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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