

G. M. Developers: Assigned

Name of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Bank Guarantee*	13.50	SMERA B+/Stable (Assigned)

**Long term rating has been assigned at the request of the client and banker*

SMERA has assigned rating of **'SMERA B+' (read as SMERA B plus)** on the Rs.13.50 crore bank facility of G. M. Developers (GMD). The outlook is **'Stable'**.

The rating takes into account the firm's exposure to project execution risk and high dependence on customer advances to fund its ongoing re-development projects. The rating is also constrained by the susceptibility to cyclicalities and intense competition inherent in the real estate sector. However, the rating draws comfort from the firm's track record of operations and extensive industry experience of the promoters.

GMD, a Mumbai-based real estate firm promoted by Mr Valia and family has undertaken re-development of two residential buildings - Padma Co-operative Housing Society Limited (Padma Society) and Chandan Co-operative Housing Society Limited (Chandan Society). The firm is exposed to project execution risk as significant amount of construction work of Padma Society is pending while work on Chandan Society is yet to begin.

The total cost of both the projects is estimated to be around Rs.122.43 crore (100%), to be funded through customer advances of Rs.77.93 crore (64%), unsecured loans of Rs.22.50 crore (18%) and equity of Rs.22.00 crore (18%). The firm is highly dependent on customer advances for funding.

The firm has operational track record of over a decade indicating its ability to survive industry cycles. The promoter of the firm i.e. the Valia family has so far completed 18 projects adding up to a total saleable area of 8.3 lakh square feet over the past two decades. The key partners of the firm i.e. Mr. Haresh H Valia (Civil Engineer) and Mr. Vipul H Valia (Commerce Graduate) have more than two decades of experience in the real estate sector business.

Rating Sensitivity Factors

- Timely execution of the project
- Timely collection of customer advances
- Achieving bookings at the envisaged rates

Outlook-Stable

SMERA believes GMD will maintain a stable business risk profile over the medium term owing to the promoter's extensive industry experience and healthy flow of advances received from customers. The outlook may be revised to 'Positive' in case the firm generates steady cash flows as per anticipated customer advances from bookings. Conversely, the outlook may be revised to 'Negative' in case of project execution delays or if collections from the bookings gets delayed, thereby creating pressure on liquidity.

About Padma Society Project

GMD has undertaken redevelopment of an 11-storey residential building - 'Padma Society' in Vile Parle, Mumbai. The proposed construction area of 0.49 lakh sq.ft will have a building with 32 apartments. The total cost of the project is ~Rs. 49.83 crore (100%), likely to be funded through customer advances of Rs.27.83 crore (56%), equity of Rs.14 crore (28%) and unsecured loans of Rs.8 crore (16%). The project is likely to be completed by September, 2017.

About Chandan Society Project

GMD has undertaken redevelopment of an 11-storey residential building - 'Chandan Society' in Vile Parle, Mumbai. The proposed construction area of 0.90 lakh sq.ft will have a building with 78 apartments. The total cost of the project is ~Rs.72.60 crore (100%), likely to be funded through customer advances of Rs. 50.10 crore (69%), unsecured loans of Rs.14.50 (20%) and equity of Rs.8 crore (11%). The project is expected to be completed by December, 2018.

About the Firm

Established in the year 2004, GMD is a Mumbai-based real estate firm promoted by the Valia family. The key partners of the firm -Mr. Haresh H Valia and Mr. Vipul H Valia have more than two decades of experience in the real estate sector. The firm has undertaken re-development of two residential buildings in Vile Parle, Mumbai - Padma Society and Chandan Society.

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ABOUT SMERA

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