

### Gadkari Builders & Associate: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Overdraft	4.50	SMERA B/Stable (Assigned)
Cash Credit	5.25	SMERA B/Stable (Assigned)
Proposed Term Loan	15.25	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (read as **SMERA B**) to the Rs.25.00 crore bank facilities of Gadkari Builders & Associate (GBA). The outlook is '**Stable**'.

The rating is constrained by the firm's exposure to project execution and completion risk, high dependence on external funding and low bookings. The rating is also constrained by susceptibility to cyclical and intense competition in the real estate sector. However, the rating derives comfort from the experienced management.

GBA, a real estate firm established in 2006, undertakes construction of residential projects in Mumbai. Work on the latest project, Shrushti Enclave Phase -1 is underway since July 2014 is expected to be completed by December 2017. As on 30 September 2016, the firm incurred around 49 per cent of the cost amounting to Rs.18.31 crore. The ratings factor in the high project execution risk since six ongoing projects of the firm are at nascent stage of operations.

Of the total project cost of Rs.37.50 crore, the firm has received customer advances of Rs.15.00 crore (71 percent). The promoters have infused Rs.1.50 crore with the balance to be funded through a term loan of Rs 15 crore, the sanction of which is pending. Completion of the project is highly dependent on customer advances and bank borrowings. The firm has received bookings for around 22 flats out of 58.

However, the partners of the firm, Mr. Jaideep Suryakant Gadkari and Mr. Sameer S Gadkari have an established track record in the realty sector. The partners possess more than three decades of experience in the industry. The firm has completed 28 commercial and residential projects in and around the city.

#### Rating Sensitivity Factors

- Project saleability and mobilisation of customer advances
- Timely completion of the project

#### Outlook-Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates steady cash flows as per anticipated customer advances from bookings. Conversely, the outlook may be revised to 'Negative' in case of collections from bookings getting delayed thereby creating pressure on liquidity.

#### About the Project

GBA has undertaken development of a residential project, Shrushti Enclave – Phase 1 in Chembur, Mumbai. The 15 storeyed building with 58 dwelling units on 60,900 sq. ft. of land consists of 2BHK units. The total project cost is Rs.37.50 crore and the total sale proceeds expected is Rs.78.95 crore. The project is expected to be completed by December 2017. Apart from the above, the firm has six ongoing projects in Mumbai that are at a nascent stage.

### About the Firm

GBA, a partnership firm established in 2006 by Mr. Jaideep S. Gadkari and Mr. Sameer S. Gadkari is engaged in real estate development in Mumbai. The firm has completed 28 commercial and residential projects in Mumbai with a total construction area of over 12 lakh square feet.

In FY2015-16 (provisional), the firm reported net profit of Rs.0.31 crore on operating income of Rs.2.82 crore against net profit of Rs.0.60 crore on operating income of Rs.15.63 crore in the previous year.

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