



Press Release

Omkar Realtors And Developers Private Limited

October 15, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs.2100.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.2100.00 crore bank facilities of OMKAR REALTORS AND DEVELOPERS PRIVATE LIMITED. The outlook is '**Stable**'.

Omkar Realtors and Developers Private Limited (ORDPL) is a Mumbai based real-estate developer. ORDPL has developed various residential and commercial projects in Mumbai and specializes in Slum Rehabilitation Authority (SRA) scheme projects and Redevelopment projects.

The company was promoted by two groups, Ghasiram Gokalchand group of Mumbai and Kargwal group of Umbergoan, Gujarat. Ghasiram Gokalchand group is promoted by Mr. Kamal Kishore Gupta and Mr. Gaurav Gupta. Ghasiram Gokalchand group also has interests in ship breaking and steel rolling businesses apart from the real estate exposure through ORDPL. Kargwal group is promoted by Mr. Babulal Varma and Mr. Rajendra Varma in 1974, and specialize in industrial construction and has established presence in Silvassa, Mumbai, Iran and Abu Dhabi.

ORDPL till date has completed 16 projects (10 residential and 6 commercial) spanning 40 lakh square feet (LSF). ORDPL is currently developing two residential and one commercial projects in Mumbai with total saleable area of 36.21 LSF.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the ORDPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and demonstrated project execution capabilities

ORDPL is promoted by Ghasiram Gokalchand and Kargwal group. The chairman of the company, Mr. Kamal Kishore Gupta has around three decades of experience in the real estate industry. Mr. Gaurav Gupta (MBA, Cardiff University UK), Director has experience of around a decade in the real estate industry. Kargwal group led by Mr. Babulal Varma and Mr. Rajendra Varma has experience of over two decades in the industry.

ORDPL, backed by its experienced promoters ORDPL has developed 16 residential and commercial projects in Mumbai and specializes in Slum Rehabilitation Authority (SRA) scheme projects and Redevelopment projects, some of its key marquee projects include names Omkar Esquare, Om

Residency, Omkar AltaMonte, Omkar Veda amongst others all located in Mumbai.

Acuite believes that the company's established track record of successful project execution and brand presence along with demonstrated capability in executing slum evacuation and rehabilitation work will continue to support its business risk profile over near to medium term.

- **Advanced stage of project completion**

ORDPL is currently executing three real estate projects namely Omkar 1973, Crescent Bay and The Summit Business Bay. All the three projects are at their advanced stage of completion. The total project cost for all three projects is Rs.9,156.68 crore out of which, the company has already incurred 86 percent of the total project cost as on 30 June 2018. As on 30 June 2018, Omkar 1973 is 76.80 percent sold, Crescent Bay is 75.36 percent sold and Summit Business Bay is 88.8 percent sold.

Further for Omkar 1973 project, the company is in the process of introducing a JV partner for Tower C where the marketing and sales for the 6 LSF would be managed by the JV partner.

Weaknesses

- **Significant debt refinancing requirement**

ORDPL has debt repayment obligations for its term loans to the tune of Rs.120.07 crore for FY2019 and Rs.839.71 crore for FY2020. The company has already paid around Rs.60.00 crores of the total maturing obligations for FY2019. The subdued market scenario in the real estate sector in Mumbai region in past two years has affected the cash flows from the existing projects leading to higher dependence on the refinancing of the external bank debt. The company currently is in advanced stages of securing refinancing for its maturing repayment obligations, however the timeliness of such refinancing measures or any improvement in the demand scenario resulting into healthy cash flow visibility remains a key rating sensitivity factor.

- **Susceptibility to real estate cyclicity and regulatory risks**

ORDPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk as the company has major presence in executing SRA scheme projects in which majority of the time goes into evacuating the slum dwellers and getting necessary approvals from the authorities. These factors are likely to impact players like ORDPL thereby impacting its operating capabilities.

Outlook: Stable

Acuite believes that ORDPL will maintain a stable outlook over medium term on account of established track record and strong presence in Slum Rehabilitation Authority (SRA) sector. The outlook may be revised to positive in case the company achieves significantly higher than expected customer advances and achieves project execution as per schedule. Conversely, the outlook may be revised to Negative in case of slower than expected customer advances or in case of delay in project execution which may further increase the dependence on refinancing of debt.

About the project:

ORDPL is currently developing 3 projects in Mumbai viz. Omkar 1973, Crescent Bay and The Summit Business Bay.

Omkar 1973 is a residential project located at Worli comprises of 3 towers with total salable area of 20 LSF. The project is registered with RERA with Registration number P51900003316 and completion date as 31/12/2020.

Crescent Bay is a residential project located at Parel comprises of 6 towers comprising of 2, 3 and 4 BHK apartments with total salable area of 27.41 LSF. For this project, ORDPL has entered into a Joint venture with L&T Realty Limited (LRL) with ORDPL having share of 40 percent. The project will be constructed and marketed by LRL. The project is registered with RERA with Registration numbers P51900008032, P51900010178, P51900005188, P51900006593, P51900004544, P51900004666 for towers 1 to 6 respectively and completion date as 31/03/2022.

The Summit Business Bay is a commercial project located at Andheri with 12 floors comprising of around

26 units on each floors. The total salable area of 5.25 LSF. The project is registered with RERA with Registration number P51800008187 and completion date as 31/06/2019.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1,135.17	1,301.07	1,354.53
EBITDA	Rs. Cr.	434.27	665.09	598.67
PAT	Rs. Cr.	(287.37)	(157.16)	22.85
EBITDA Margin	(%)	38.26	51.12	44.20
PAT Margin	(%)	(25.32)	(12.08)	1.69
ROCE	(%)	8.18	14.82	29.11
Total Debt/Tangible Net Worth	Times	(17.99)	166.54	17.05
PBDIT/Interest	Times	0.59	0.82	1.11
Total Debt/PBDIT	Times	12.10	7.17	6.28
Gross Current Assets (Days)	Days	1,675	1,569	1,309

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Real estate entities - <https://www.acuite.in/view-rating-criteria-41.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	500.00	ACUITE BBB-/Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	320.00	ACUITE BBB-/Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	180.00	ACUITE BBB-/Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	900.00	ACUITE BBB-/Stable (Assigned)
Bank guarantee#	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A3 (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE BBB-/Stable (Assigned)

Interchangeable with Letter of Credit facility

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About Acuite Ratings & Research:

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