

Press Release

Omkar Ventures Private Limited
D-U-N-S® Number: 87-400-4066

January 11, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.780.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.780.00 crore bank facilities of Omkar Ventures Private Limited (OVPL). The outlook is '**Stable**'.

OVPL is a Mumbai based real-estate developer. It is a wholly owned subsidiary of Omkar Realtors and Developers Private Limited (ORDPL) who has developed various residential and commercial projects in Mumbai and specializes in Slum Rehabilitation Authority (SRA) scheme projects and Redevelopment projects. OVPL is a SPV of ORDPL and is currently executing project Near Andheri (East), Mumbai.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced promoters and demonstrated project execution capabilities**

OVPL is a wholly owned subsidiary of ORDPL. 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.

Acuité believes that the OVPL will continue to benefit from established track record of Omkar in successful project execution and its established 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.

- **Moderate stage of project completion**

OVPL is currently executing real estate project Lawns & Beyond located Near Andheri (East). The project was launched in November 2017 with the total salable area of 43.62 LSF. The project has sales potential of Rs.7272.94 crore.

The project comprises of a shopping mall for which the company has entered into a term sheet with one JV partner. OVPL to construct the retail asset on 10 LSF as per the specifications given by that entity and OVPL will receive sales consideration against the same. All the construction expenses borne by OVPL will be reimbursed by the JV partner on timely basis as and when they are incurred.

Further, OVPL is in process of introducing another JV partner where the marketing and sales for the 20 LSF would be managed by the JV partner and will receive structured payments, which is likely to reduce OVPL's dependence on external debt.

Weaknesses

- **Significant debt refinancing requirement**

OVPL has debt repayment obligations for its term loans to the tune of Rs.138.48 crore 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 cyclical and regulatory risks**

OVPL 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 OVPL thereby impacting its operating capabilities.

Outlook: Stable

Acuité believes that OVPL will maintain a stable outlook over medium term. It will benefit from ORDPL's 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 Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.26	0.07	0.00
EBITDA	Rs. Cr.	47.49	25.72	7.56
PAT	Rs. Cr.	(9.75)	(3.53)	(3.70)
EBITDA Margin	(%)	18,156.07	36,876.84	30,25,063.76
PAT Margin	(%)	(3,726.40)	(5,064.16)	(14,79,332.32)
ROCE	(%)	9.40	11.18	9.59
Total Debt/Tangible Net Worth	Times	3.54	0.93	5.87
PBDIT/Interest	Times	0.83	0.88	0.65
Total Debt/PBDIT	Times	11.39	5.90	17.79
Gross Current Assets (Days)	Days	12,64,884	20,90,004	37,99,41,506

Note- Project's commercial operations started from November 2017

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	350.00	ACUITE BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	380.00	ACUITE BBB-/Stable
Dropline overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable

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About Acuité Ratings & Research:

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