

March 21, 2014

Facility	Amount (Rs. Crore)	Rating
Term Loan	10.00	SMERA C (Assigned)

SMERA has assigned a rating of '**SMERA C**' (read as **SMERA C**) to the Rs.10.00 crore bank facilities of Gaikwad Shinde Associates (GSA). The rating is largely constrained by the intense pressure on the firm's debt repayment ability on account of delays in project execution and pending environment clearances. The rating factors in the risks associated with the significant advances made by the firm. The rating is further constrained by the firm's exposure to intense competition prevalent in the inherently cyclical real estate industry. The aforementioned weaknesses are partially offset by the firm's experienced management.

GSA (established in 2010) is a Pune-based real estate development firm. GSA has entered into a joint venture with its group entity (Rohan Construction) for development of its maiden project, 'Silver Gardenia'. The project involves construction of a 235-unit residential complex (comprising 2BHK and 3BHK apartments) in Ravet, Pune. The total project cost is estimated at ~Rs.53.91 crore and the firm has incurred project cost of Rs.36.60 crore till January 31, 2014. The project execution was delayed by around six months on account of strikes (against local body tax) in Maharashtra. Moreover, GSA's project is yet to receive environmental clearance (for ~4,000 sq. meters of land), which restricts the firm from granting possession for ~16 apartments. Further delay in receipt of the pending environmental clearance is a key rating sensitivity.

GSA's project cost is estimated at ~Rs.53.91 crore, which is funded through promoters' contribution of Rs.5.00 crore, term loan of Rs.10.00 crore and customer advances of Rs.43.88 crore. The term loan has been fully disbursed and the repayment is scheduled to start from April 2014. The firm is regularly servicing interest obligation since October 2012. GSA has received customer advances of Rs.43.53 crore (against incurred project cost of Rs.36.60 crore) till January 31, 2014. The firm has applied excess cash inflow towards other current assets, which comprise advances of ~Rs.12.00 crore for land acquisition and advances of ~Rs.7.00 crore given to group entities. The firm is thus highly dependent on timely receipt of customer advances for term loan repayment and project execution.

GSA's project is in proximity to the Mumbai-Pune expressway, as well as IT parks in Hinjewadi and Talawade, Pune. The firm has registered bookings for 72 per cent of the total apartments. However, GSA books revenues only after granting possession of the apartments i.e. after receiving the entire payment. Thus, the firm has not booked any revenues till date.

GSA is benefited from its experienced management. Mr. Bibishan V. Gaikwad, promoter of GSA, has around 20 years experience in the real estate industry.

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About the firm

GSA, established in 2010, is a Pune-based partnership firm promoted by Mr. Bibishan V. Gaikwad and Mr. Santosh T. Shinde. GSA is undertaking the development of a residential complex (Silver Gardenia) in Ravet, Pune. The aforementioned project is a 63:37 joint venture between GSA and Rohan Construction.

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