

June 25, 2014

| Facility | Amount (Rs. Crore) | Rating |
|-----------|--------------------|----------------------------|
| Overdraft | 18.00 | SMERA BB/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA BB' (read as SMERA double B)** to the Rs.18.00 crore long-term (fund based) bank facility of Bajwa Developers Limited (BDL). The outlook is '**Stable**'. The rating is constrained by the company's exposure to intense competition in the residential real estate sector. The rating is also constrained by saleability risk inherent in the company's residential projects. However, the rating is supported by the advanced stage of execution of the company's land development project, which has generated significant customer interest. The rating is also supported by the company's experienced management.

BDL, incorporated in 2001, is a Chandigarh-based real estate developer. BDL is currently engaged in developing 345 acres of land in Sector 123, Mohali (Punjab). The company is also undertaking construction of 422 residential apartments (in Sector 125, Mohali) and a residential complex (named Sunny Villas) in Sector 117, Mohali. BDL faces intense competition from several ongoing residential projects undertaken by various reputed builders in Mohali. The company is also exposed to project saleability risk amidst slowdown in the real estate industry. BDL has completed ~50 per cent construction of Sunny Villas; however, the company has received advances of only Rs.30.00 crore against total expected realization of Rs.238 crore. Moreover, BDL has completed ~40 per cent construction of the residential project in Sector 125, Mohali; however, the company has received advances of only ~Rs.12 crore against total expected realization of Rs.144 crore.

BDL's land development project (in Sector 123, Mohali) is in the advanced stage of completion and has witnessed healthy levels of bookings. The company has received advances of Rs.1,315 crore (in the land development project) against total expected realization of Rs.2,505 crore. BDL's debt servicing ability is expected to remain comfortable in the near term.

BDL benefits from its experienced management. The company's promoters have around two decades of experience in the real estate industry.

Outlook: Stable

SMERA believes BDL will maintain a stable business risk profile over the medium term on the back of its experienced management. The company will also benefit from the healthy inflow of customer advances for the land development project. The outlook may be revised to 'Positive' in case the company generates higher-than-expected cash flows from its residential projects, and in case of timely receipt of customer advances in the company's land development project. Conversely, the outlook may be revised to 'Negative' in case of liquidity pressure arising from delays in receipt of customer advances, or in case of time overruns in completion of the company's residential projects.

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About the projects

BDL is developing 345 acres of land in Mohali, Punjab. Additionally, the company is undertaking construction of a residential complex named 'Sunny Villas', which comprises 1,200 apartments (including 700 1-BHK apartments and 500 2-BHK apartments) and 50 villas in Sector 117, Mohali.

BDL is also undertaking construction of 422 residential apartments (including 197 3-BHK apartments, 108 2-BHK apartments and 117 1-1BHK apartments) in Sector 125, Mohali.

About the company

BDL, incorporated in 2001, is a Chandigarh-based real estate development company engaged in land development and construction of residential townships.

For FY2012-13, BDL reported net profit of Rs.7.49 crore on total income of Rs.112.56 crore, as compared with profit after tax of Rs.7.30 crore on total income of Rs.112.24 crore for FY2011-12. BDL's net worth stood at Rs.73.44 crore as on March 31, 2013, as compared with Rs.73.98 crore a year earlier.

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