

CARE/DRO/RL/2017-18/2080

Mr. Sudhangshu S. Biswal
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New Delhi – 110 019

October 3, 2017

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY17 (audited) and Q1FY18 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1,070 (enhanced from Rs.1,055)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities	130 (reduced from Rs.145)	CARE BBB-; Stable/ CARE A3 [Triple B Minus; Outlook: Stable / (A Three)]	Reaffirmed
Total	1,200 (Rupees One thousand and two hundred crore only)		

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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(Formerly known as Credit Analysis & Research Limited)

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by October 4, 2017, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

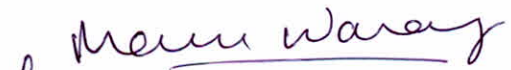
If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1
Details of Rated Facilities

1. Long-term bank facilities

1A. Long-term Rupee Term Loan

Banker / lender	Sanctioned Amt (Rs. cr)	Rated Amt (Rs. cr)	Remarks
PNB Housing Finance	100	51.28	30 Equal monthly Installment starting from July 2016 to December 2018
PNB Housing Finance	200	172.63	45 Equal monthly Installment starting from April 2016 to Dec 2019
PNB Housing Finance	250	109.53	Loan- 120 Cr.: 39 Equal Monthly Installment starting from Feb 2019 to April 2022 Loan -130 Cr.: 42 Equal monthly installment starting from Nov 2018 to April 2022
Vijaya Bank	45	22.50	24 Equal monthly Installment starting from Sept 2016 to Aug 2018
IFCI Limited	100	99.72	42 Equally monthly installments starting from Oct 2018 to March 2022
IFCI Ltd	100	45.24	42 Equally monthly installment starting from 15th Oct,2015 to 15th March 2019
State Bank of India	100	91.66	24 Equal Monthly installments starting from July 2017 to June 2019
Syndicate Bank	35	18.94	24 Equal Monthly installments starting from Oct 2016 to Sept 2018
Proposed TL	-	190.50	
Total	930	802.00	

1.B. Fund based limits (CC Facility)

S. No.	Name of Bank	Sanctioned Amount
1.	State Bank of India	60.00
2.	Catholic Syrian Bank	50.00
	Total	110.00

1.C. Non-fund based limits (BG Facility)

S. No.	Name of Bank	Facility	Sanctioned amount
1.	Allahabad Bank	BG	40.00
2.	Indian Bank	BG	18.00
3.	IDBI Bank	BG	100.00
	TOTAL		158.00

Total long-term facilities rated (1A+1B+1C) Rs.1070.00 crore

2. Long-term/Short-term facilities

2.A. Non-Fund based limits (BG/LC Facility)

S. No.	Name of Bank	Rs. in cr.
1.	State Bank of India	60.00
2.	Punjab National Bank	70.00
	TOTAL	130.00

Total long-term/short-term facilities rated Rs.130.00 crore

Total rated facilities of Rs.1,200.00 crore

Annexure 2 Omaxe Limited

October 4, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1,070 (enhanced from Rs.1,055)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long-term/Short-term Bank Facilities	130 (reduced from Rs.145)	CARE BBB-; Stable/ CARE A3 [Triple B Minus; Outlook: Stable / (A Three)]	Reaffirmed
Total	1,200 (Rupees One thousand and two hundred crore only)		
Non-Convertible Debenture (NCD)*	3.33	CARE BBB (SO); Stable [Triple B (Structured Obligation); Outlook: Stable]	Reaffirmed
Medium-term instruments-Fixed Deposit	200.00	CARE BBB (FD); Stable [Triple B (Fixed Deposit); Outlook: Stable]	Reaffirmed

Details of instruments/facilities in Annexure-1

** The above ratings are based on the credit enhancement in the form of Structured Payment Mechanism including operation of Escrow Accounts.*

Detailed Rationale & Key Rating Drivers

The ratings for bank facilities and fixed deposit continue to draw comfort from the promoter's experience, large land bank, stability in operational progress in terms of collections from projects. Furthermore, the ratings continue to factor in consistent deliveries made during FY17 (refers to the period April 01 to March 31), demonstrated track record of executing real estate projects and moderate capital structure. The ratings, however, remain constrained by the aggressive sales and development plans, execution risk for ongoing projects with dependence on customer advances and off-take risk due to subdued demand scenario in the real estate sector. The rating for the NCD issue continues to factor in the credit enhancement in the form of Structured Payment Mechanism (SPM; including operation of Escrow Accounts), required approvals in place for the project 'Omaxe Connaught Place', advanced stage of completion and high booking status in the project.

Going forward, the ability of the company to timely execute and deliver projects, maintain sales momentum/ collections and contain its overall gearing level shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and track record of project execution: The company derives strength from the experience of the founder promoter, Mr Rohtas Goel, who holds a Diploma in Civil Engineering and has an experience of over 25 years in the field of construction and real estate development. The other promoters, Mr Sunil Goel and Mr J B Goel, also have more than two decades of experience in construction sector. The promoter group held 74.99% equity in the company as of 30-June-2017. Omaxe has a track record of successful completion of real estate projects, including development of township, group housing, and commercial complexes

Large land bank, majority of which is paid for: Omaxe owned aggregate land bank of 5,594 acres as on March 31, 2017, out of which 4,790 acres is being utilized for ongoing projects. In terms of the geographical distribution, about 83% of the land bank (excluding for ongoing projects) is located in Tier-II and Tier-III cities [Chandigarh (383 acres), Indore (226 acres), and Faridabad (26 acres)]. Majority of land cost is already paid for except for land parcels where cost/charges (including

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

EDC(IDC) pertaining to land are payable over a period. The company has a policy of continuously aggregating additional land parcels at its adjoining townships.

Moderation in operational performance due to industry downturn: Demonetization and uncertainty over implementation of GST had an adverse impact on the real estate resulting in low bookings. Omaxe sold 3.20 msf area in FY17 as against 4.89 msf sold in FY16. Major portion of bookings was contributed by ongoing projects in Bahadurgarh, Indore and Omaxe Connaught place project in Greater Noida (42% of the total area delivered in FY17). However, there has been sequential decline in realization per square feet from Rs.3,476 psf in FY15 to Rs.3,372 psf in FY16 which further dipped to 2,956 psf in FY17. During FY17, overall bookings for 3.20 msf valued at Rs.946 crore (PY: Rs. 1,648 crore). This took total area sold till Mar 31, 2017 to 50.54 msf.

Nevertheless, the company continued its consistent track record of execution with delivery of 5.07 msf area in FY17 (PY: 6.48 msf in FY16). Also, gross collections out of the receivables from ongoing projects during the year stood at Rs.1,577 crore as against Rs.1,406 crore during FY16. The overall financial risk profile has shown marginal decline with elevated overall gearing at 0.73x as on Mar 31, 2017 (PY: 0.63x). Nevertheless, overall gearing ratio continues to be within reasonable levels.

Key Rating Weaknesses

Execution risk in light of aggressive development plan: As on March 31, 2017, Omaxe had 19 townships, 13 residential group housing (GH) and 8 commercial projects with an estimated saleable area of 128.15 msf under development. The projects are spread across various towns/cities with major presence in Yamuna Nagar (24% of saleable area), Rohtak (22%) and Mohali/ Chandigarh (16%) having aggregate saleable area of 62%. Against the aggregate total cost of these projects of Rs.23,703 crore, the company has incurred 40% till March 31, 2017 and considerable costs are yet to be incurred leading to high execution risk. As on the same date, the company has booked sales for approximately 50.54 msf, i.e. 39% of total area (PY: 46.89 msf till Mar 31, 2016; 38% of total area) with sale value of Rs.11,963 crore. The company has significantly large area under development with low execution level achieved in terms of cost incurred and booking status. However, comfort is drawn from company's successful track record of execution.

Subdued industry scenario: The real estate market in Delhi-NCR has seen slow-down in the sales in past few quarters. Competitive pricing, increased transparency, speedy approvals process, clear land titles, improved delivery and project execution are expected to support growth of the real estate sector. Further, after the implementation of Real Estate (Regulation & Development) Act (RERA) under which 70% of the amount realized from the real estate project from the buyers, from time to time, shall be deposited in a separate account to cover the cost of construction/development and the land cost and shall be used only for that purpose which has led to shortage of free funds.

Analytical approach: CARE has taken consolidated approach for analyzing Omaxe Ltd which has 95 subsidiaries which are primarily land holding companies.

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE's Methodology for factoring linkages in ratings

Financial ratios – Non-Financial Sector

About the Company

Omaxe Ltd was promoted in March 1989 by Mr Rohtas Goel and Mr Sunil Goel as Omaxe Builders Pvt Ltd. In August 1999, the company was converted into a public limited company and the name was changed to Omaxe Constructions Ltd and later in 2006, the name of the company was again re-christened as Omaxe Limited. The company is currently engaged in the business of real estate development and has presence across 27 cities in 8 states of India. Omaxe has undertaken various projects in the areas of contractual construction, township development, building of commercial complexes, multi-storied apartments, etc. As of March 31, 2017, Omaxe has executed 75.9 million square feet (msf) as a real estate developer and 31.80 msf as third party contractor.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1,410	1,652

PBILDT	500	550
PAT	77	105
Overall gearing (times)	0.68	0.73
Interest coverage (times)	1.33	1.41

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	April 2022	611.50	CARE BBB-; Stable
Proposed Fund-based - LT-Term Loan	-	-	Proposed	190.50	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	110.00	CARE BBB-; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	158.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	130.00	CARE BBB-; Stable / CARE A3
Debentures-Non Convertible Debentures	-	-	December 2017	3.33	CARE BBB (SO); Stable
Fixed Deposit	-	11.50% to 12.50% p.a.	-	100.00	CARE BBB (FD); Stable
Fixed Deposit	-	11.50% to 12.50% p.a.	-	100.00	CARE BBB (FD); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	611.50	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
2.	Fund-based - LT-Term Loan	LT	190.50	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
3.	Fund-based - LT-Cash Credit	LT	110.00	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
4.	Non-fund-based - LT-Bank Guarantees	LT	158.00	CARE BBB-; Stable	-	1)CARE BBB- (18-Oct-16)	1)CARE BBB- (17-Nov-15)	1)CARE BBB- (09-Oct-14)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	130.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB- / CARE A3 (18-Oct-16)	1)CARE BBB- / CARE A3 (17-Nov-15)	1)CARE BBB- / CARE A3 (09-Oct-14)

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6.	Non-fund-based - LT/ ST-BG/LC	-	-	-	-	-	-	1)CARE BBB- / CARE A3 (09-Oct-14)
7.	Fixed Deposit	LT	100.00	CARE BBB (FD); Stable	-	1)CARE BBB (FD) (18-Oct-16)	1)CARE BBB (FD) (17-Nov-15) 2)CARE BBB (FD) (21-May-15)	1)CARE BBB- (FD) / CARE A3 (FD) (09-Oct-14)
8.	Fixed Deposit	LT	100.00	CARE BBB (FD); Stable	-	1)CARE BBB (FD) (18-Oct-16)	1)CARE BBB (FD) (17-Nov-15) 2)CARE BBB (FD) (21-May-15)	1)CARE BBB- (FD) (20-Nov-14)
9.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (17-Nov-15) 2)Provisional CARE BBB (SO) (28-May-15) 3)CARE BBB (SO) (In Principle) (26-May-15)	1)CARE BBB (SO) (In Principle) (17-Dec-14)
10.	Debentures-Non Convertible Debentures	LT	3.33	CARE BBB (SO); Stable	-	1)CARE BBB (SO) (18-Oct-16)	1)CARE BBB (SO) (17-Nov-15) 2)CARE BBB (SO) (28-May-15) 3)CARE BBB (SO) (26-May-15)	-

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