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**CARE ASSIGNS 'CARE BBB' AND 'CARE A- (SO)' RATING TO THE BANK FACILITIES OF GOKULDHAM REAL ESTATE DEVELOPMENT CO PVT LTD.****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities*	43.60	'CARE A- (SO)' [Single A Minus (Structured Obligation)]	Assigned
Long-term Bank Facilities	22.21	'CARE BBB '(Triple B)	Assigned
<b>Total</b>	<b>65.81</b>		

*\*backed by an unconditional & irrevocable guarantee from DB Realty Limited (DBRL)*

**Rating Rationale**

The bank facilities of Gokuldharm Real Estate Development Company Private Limited (GREDCPL) aggregating Rs.43.60 crore are backed by an unconditional and irrevocable guarantee extended by the parent company, DB Realty Limited (DBRL - rated 'CARE A-' for its bank facilities).

The rating of DBRL derives strength from the promoters' experience in the real estate business, considerable progress in the construction of the ongoing projects, low gearing levels, substantial presence in high-margin Transfer Development Rights (TDR) generation projects, low exposure to the commercial as well as retail segment which are yet to fully recover from the downturn and enhanced liquidity consequent to Initial Public Offering (IPO). The rating also factors in the benefit of availability of low-cost land, the tie-up of the entire debt for the ongoing projects, healthy booking status and advances received in respect of the ongoing projects.

The rating is however constrained by DBRL's substantial exposure to fluctuation in TDR prices, presence in the high-end housing segment exposing it to economic slowdowns, extension of substantial corporate guarantees to subsidiaries/group companies and considerable planned projects given that the company is yet to complete any project under its banner. Further, the rating is also constrained by geographical concentration risk with the company's projects mainly in Mumbai, high competition and the inherent cyclical nature of the industry.

The ability of DBRL to execute projects on time and achieve realizations as envisaged remains the key rating sensitivity.

The ratings assigned to bank facilities of GREDCPL aggregating Rs.22.21 crore on standalone basis derive strength from the experience of the promoters in real estate development, strong brand image of DB Realty in Mumbai, already-accomplished tie-up

for the entire debt required for the project, healthy booking status with a substantial receipt of advances from the customers and achievement of considerable progress in construction of the project.

The rating is, however, constrained by presence in high-end housing segment which is vulnerable to economic cycles, inherent project execution risk and the cyclical nature of the industry.

GREDCPL's ability to execute the project as scheduled, achieve the envisaged sales and the prices of residential space in Mumbai are the key rating sensitivities.

### **Company Profile**

GREDCPL, incorporated in February 2004, is a subsidiary of DB Realty Limited (DBRL). GREDCPL is executing a single residential project viz. "Orchid Woods" at Gokuldhama in Goregaon (East), Mumbai with a total saleable area of 1.174 msf. The project consists of three buildings of 47 storeys each with eight levels of podium for 1,200 car park and a total of 630 flats.

The total cost of the project is Rs.733 crore which is proposed to be funded using a mix of promoters' contribution, term loan from banks, unsecured loan from holding company and the balance by way of advances from customers. As on May 31, 2010, approximately 68 per cent of the proposed project cost was incurred and 56 per cent of the area was already sold. The project is expected to complete by June 2011.

### **About Guarantor (DBRL)**

DBRL is involved in developing and selling mainly residential real estate projects, and in redevelopment/slum rehabilitation projects. DBRL belongs to Dynamix Balwas Group (DB Group), a Mumbai-based conglomerate whose business interests span real estate development, hospitality, granite & marble and jewellery. Currently, the company has ten ongoing projects with a saleable area of 18.67 msf with a Slum Rehabilitation Authority (SRA) project at Mahul Nagar, Chembur, being the largest one.

During FY10, DBRL earned a PAT of Rs.271.17 crore on a total operating income of Rs.951.21 crore.

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