



SMERA RATINGS LIMITED

Dedhia Builders & Developers India LLP (DBDIL)

*Rating
Rationale*

February 19, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	14.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the abovementioned bank facility of Dedhia Builders & Developers India LLP (DBDIL). The outlook is '**Stable**'. The rating is constrained by the firm's exposure to project execution risk. The rating is also constrained by firm's high dependence on external funding for the ongoing project. The rating notes that the firm is susceptible to cyclicalities and intense competition inherent in the real estate sector. However, the rating draws comfort from the firm's experienced management.

DBDIL, established in 2004, is a Mumbai-based real estate development entity. DBDIL is a part of the Dedhia Group. The firm is currently undertaking construction of a residential building (named Dedhia El Canto) in Thane, Maharashtra. DBDIL is exposed to project execution risk as a significant portion (~65 per cent) of the construction work is pending. The firm expects to complete the project by December 2017. The total project cost is estimated at Rs.46.86 crore, which is likely to be funded through customer advances of Rs.17.44 crore, bank borrowings of Rs.14.00 crore and promoters' funds of Rs.15.42 crore. DBDIL is thus highly dependent on external funding for the project.

DBDIL benefits from its experienced management. The partners of the firm have around four decades of experience in the real estate sector. Moreover, the Dedhia Group has completed ~25 residential projects in Mumbai and Thane.

Outlook: Stable

SMERA believes DBDIL will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm generates steady cash flows from customer advances. The outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position on account of delays in execution of project or collection of booking money.

About the project

DBDIL is undertaking construction of a 28-storey residential building named 'Dedhia El Canto' in Waghbil, Thane. The proposed building will have 79 apartments. The total cost of the project is ~Rs.46.86 crore, which is likely to be funded through promoters' funds of Rs.11.42 crore, unsecured loans of Rs.4.00 crore, term loan of Rs.14.00 crore and customer advances of Rs.17.44 crore. DBDIL has received all the requisite approvals for the project. The construction work started in December 2014 and is likely to be completed by December 2017. DBDIL has sold 24 apartments as on January 24, 2015. The firm has received ~Rs.2.00 crore as customer advances.

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About the firm

DBDIL, established in 2004, is a Mumbai-based partnership firm promoted by Mr. Laxmichand M. Dhedia, Mr. Sonesh L. Dedhia, Ms. Bijal S. Dedhia and Ms. Neena L. Dedhia. DBDIL undertakes real estate development.

DBDIL's net worth stood at Rs.13.81 crore as on March 31, 2014, as compared with Rs.2.43 crore a year earlier.

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