

Press Release

DOLPHIN DEVELOPERS

November 28, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 7.50 crore bank facilities of DOLPHIN DEVELOPERS. The outlook is '**Stable**'.

Dolphin Developers (DD) is part of the Aakar Group, that has developed around nine commercial and residential projects in Surat during the last three decades. The firm was established by Mr. Aakar Chawda, Mr. Sanjay Chovatia and others.

Key Rating Drivers

Strengths

• Experienced promoters

The firm was established by Mr. Aakar Chawda, Mr. Sanjay Chovatia and others in 2014. The management possesses experience of around 15 years in the Surat real estate sector.

• Advanced stage of the project

Construction work on the 'Aakar Residency' project began in July, 2016 and is expected to be completed by September, 2019. The firm has incurred cost of around Rs.13.01 crore (land cost of Rs. 4.13 crore, construction cost of Rs. 8.59 crore and other cost of Rs. 0.29 crore) as on 31 October, 2017, which constitutes around 72 percent of the envisaged project cost (land, construction and overheads) of Rs. 18.04 crore. The cost was funded through promoter's capital of Rs. 4.17 crore, unsecured loan of Rs. 1.82 crore, term loan of Rs. 3.11 crore, customer advances of Rs. 1.53 crore and other current liabilities of Rs. 2.38 crore.

• Comfortable booking level

Considering the advanced stage of construction, the firm received bookings for 155 flats and 25 shops out of a total of 262 flats and 40 shops respectively translating to ~ 59 per cent bookings as on 31 October, 2017. The firm received advances of Rs.1.53 crore against the units sold. The pending receivables stand at Rs. 11.51 crore.

• Low funding risk

Out of the total funding requirement of Rs.18.04 crore, the promoters infused Rs.5.99 crore (Rs. 4.17 crore share capital and Rs. 1.82 crore unsecured loan) as on 31 October, 2017. Also, term loan of Rs. 7.50 crore has been sanctioned, of which Rs. 3.11 crore has been disbursed. Out of the expected customer advances of Rs.3.02 crore, the firm has already received Rs. 1.53 crore as on date. The firm is exposed to low funding risk as the promoters have infused their share of capital and achieved financial closure for the debt portion of the project cost.

Weaknesses

• Low customer advances

The firm has collected customer advances of Rs.1.53 crore against the total project requirement of Rs.3.02 crore and total receivables of Rs. 11.51 crore as on 31 October, 2017. However, the same is expected to

improve as most customers avail of home loans.

• **Inherent cyclicity in the construction sector**

The real estate industry is highly fragmented with most of the real estate developers, having a city-specific or region specific presence. The risks associated with the real estate industry - cyclical nature of business (drop in property prices), interest rate risk etc. can affect the operations of the firm.

• **Stiff competition from ongoing and new projects in the vicinity**

With Surat being one of the fast-developing residential localities, DD faces stiff competition from several ongoing and upcoming residential projects in the city.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term on the back of the extensive experience of the promoters in the real estate industry. The outlook may be revised to 'Positive' if the firm generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in the liquidity position on account of delays in project execution or collection of booking money.

About the Project

The firm is presently developing a residential cum commercial project 'Aakar Residency' in Gododara, Surat with total saleable area of 1.61 lakh square feet to construct 302 units (262 flats and 40 shops). The project is targeted at individuals from the low income and middle income group who expect to benefit from the Pradhan Mantri Awas Yojana (PMAY) - Credit Linked Subsidy scheme. The total project cost is Rs.18.04 crore and the total sale proceeds expected is Rs. 21.74 crore.

About the Rated Entity - Key Financials

None

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	30-Sep-2020	7.50	SMERA B+ / Stable

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