

Press Release

Duru Realty

February 20, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 19.00 crore bank facilities of Duru Realty. The outlook is '**Stable**'.

Duru Realty, a Mumbai based proprietorship concern, established in 2013 by Mr. Prem Kalati, is engaged in development of residential and commercial projects. Duru Realty has one ongoing project 'DURU Mehr'. It is a 13-storey residential building which will consist of total eight units including four apartments of 3BHK, three apartments of 3 Duplex apartments and one triplex apartment.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Duru Realty to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Proprietor**

The proprietor, Mr. Prem Kalati, has experience of over a decade in the development of residential and commercial property. The firm has successfully developed two projects under other two companies, namely, Kalati Constructions Private Limited and LK & Others.

- **Advanced stage of project completion**

Development of a residential project - 'DURU Mehr' located at Bandra in Mumbai (Maharashtra) is underway since March, 2014 at a total cost of Rs. ~65.00 crore of which Rs.59.56 crore (88 per cent) has been incurred as on 30 September, 2018. The total saleable area is 17000 square feet to construct eight residential apartments. The project is scheduled to be completed by June, 2019.

- **Low funding risk**

The total cost of the project is around Rs.65.00 crore is to be funded by promoter's infusion of Rs. 36.83 crore, term loan of Rs.19 crore and remaining from customer advances. As on September 2018, the project completion is around 88 percent i.e. of Rs.59.56 crore and the same is funded by promoter's contribution of Rs. 36.83 crore, term loan of Rs.18.50 crore and remaining by customer advances of Rs. 4.23 crore.

- **Location advantage**

The project - 'DURU Mehr' is located at Bandra west, Mumbai which provides easy access to the finest restaurants, primary and secondary schools, reputed colleges, hospitals, gym khana / clubs and 5-star hotels. It is ideally positioned with less than a 10- minute drive from BKC and Bandra-Worli Sea Link and walking-distance from Turner road, Pali Hill Waterfield road and Linking road. The project consists of amenities such as children's play area, yoga / gym area and society office / business centre.

Weaknesses

- **Low booking levels**

The project 'DURU Mehr' commenced from the month of March 2014 and is expected to be completed by June 2019. The firm has incurred ~85 per cent cost as on September, 2018. But the booking level is only ~12.5 percent i.e. only 1 residential apartment sold out of total 8. The advances received is ~Rs.4.23 crore. The concern plans to start selling the flats after receiving occupancy certificate (OC) for bagging better selling price.

- **Inherent cyclical of construction sector**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city-specific or region-specific presence. The risks associated with real estate industry are cyclical nature of business (drop in property prices) and interest rate risk, among others which could affect the operations.

Outlook: Stable

Acuité believes that the firm will maintain 'Stable' business risk profile in the medium term on the back of experienced management. The outlook may be revised to 'Positive' if the company generates steady cash flows on anticipated customers' bookings. Conversely, the outlook may be revised to 'Negative' in case there is any delay in executing the project or the collections from the bookings gets delayed, thereby creating pressure on liquidity.

Liquidity position

Duru Realty has financed this project by promoter's infusion of Rs. 36.83 crore, term loan of Rs.19 crore and remaining from customer advances. The project is scheduled to be completed by June, 2019 and quarterly repayment of the term loan instalment is starting from September 2019. Thus, the servicing of debt obligation is dependent on adequate booking levels with sufficient customer advances to generate positive cash flows.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.00
EBITDA	Rs. Cr.	3.68	3.46	3.41
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin (%)	(%)	0.00	0.00	0.00
PAT Margin (%)	(%)	0.00	0.00	0.00
ROCE (%)	(%)	10.52	11.50	24.80
Total Debt/Tangible Net Worth	Times	0.01	0.01	0.01
PBDIT/Interest	Times	1.01	1.00	1.00
Total Debt/PBDIT	Times	0.06	0.06	0.05
Gross Current Assets (Days)	Days	0	0	0

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

None

Any other information

No information

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.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	Not Applicable	19.00	ACUITE BB / Stable

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About Acuité Ratings & Research:

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