

Press Release

Dimple Realtors Private Limited

November 06, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.117.00 Cr. (Enhanced from Rs.17.00 Cr.)
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.117.00 crore bank facilities of Dimple Realtors Private Limited (DRPL). The outlook is '**Stable**'.

About the Company

Dimple Realtors Private Limited (DRPL) was incorporated in January 1998 by Mr. Nitin Patel with an objective to develop and sell real estate in Mumbai. DRPL predominantly focuses on residential projects mostly in semi-Luxury and few under the premium segment located in the western suburbs of Mumbai. Since its inception, the company has developed projects of over 1 million square feet.

Analytical Approach

Acuite has considered the standalone view of the financial and business risk profile DRPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced promoters and established track record

DRPL is promoted by Mr. Nitin Patel, who has more than two decades of experience as a real estate developer through projects executed by DRPL and other associate entities such as Dimple Creations and SKD Realty LLP. The promoters have completed 15 projects till date through DRPL and its associate entities covering a cumulative area of 1 million square feet. The promoter is well supported by other directors of the company Mrs. Kavita Shah, who has been associated with the industry for past 2 decades, Mrs. Jimisha Parmar and Mr. Divyanshu Patel who have been associated with the industry for more than 5 years.

Acuite believes that the company's established track record of successful project execution, timely project completion and brand presence along with financial backing from promoters will continue to support its business risk profile over near to medium term.

Weaknesses

• Slow project pace

DRPL currently has two projects underway, 19 North and 73 East. The construction for 73 East project began in March, 2018 and the construction of 19 North project is expected to begin in December 2020. Though the 73 East project began in March 2018, the construction has been happening at a slow pace. As of today, the project is ~20 percent complete. The company has incurred ~27 percent of the budgeted cost on the project. The slow pace of the project is due to recent modification of plans to increase FSI from 2.5 to 4 by constructing and handing over a PTC building to MHADA which has resulted in changes in layout, halting of construction work and the sales as well.

While the company has received full bookings for commercial units, which stands at 8 units, it has received only 25 bookings of the 166 residential apartments that are expected to be constructed, indicating lacklustre response from the market. Further, the current market scenario of COVID-19 has moderately impacted the construction of the ongoing project as project sites were shut earlier due to migration of labour back to their hometown.

Acuite believes that the ability of the company to complete the project within the specified timelines and

to attract sales traction will be a key rating sensitivity.

• **Significant funding risk**

The total cost of the project is Rs.345.25 crore, which is being majorly funded through ~41 percent of customer advances, ~29 percent of debt and ~30 percent of equity (in the form of equity and unsecured loans). The company has received in-principal funding tie-up of Rs.100.00 crore for the project. The high reliance on customer advances, coupled with proposed debt funding exposes the company to significant funding risk.

Acuite believes that the ability of the company to achieve financial closure will be critical for the timely completion of the project.

• **High geographical concentration risk and exposure to intense competition**

DRPL has in the past executed 15 projects, all of which are located in the western suburbs of the MMR Region. Its current projects too are located in the same region, which exposes the company to geographical concentration risk and intense competition from other reputed players. Acuite believes DRPL would be subjected to concentrated risk and intense competition from other reputed developers.

• **High execution risk over susceptibility inherent cyclicity in Real Estate Sector and moderate impact of Covid-19**

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 the real estate industry are cyclical in nature of business, fluctuation in property prices and interest rate risk, among others, which could affect the operations. The current market scenario of COVID-19 has impacted the completion of real estate developers' ongoing projects as project sites were shut and migration of labour back to their hometowns was observed and the disruption in the availability of raw material. The Real Estate sector is under high stress on account of large amounts of unsold inventory (demand-supply mismatches) and high borrowing costs. DRPL, on the contrary, has been moderately impacted by the COVID-19 pandemic with minor hit likely to take a toll on cash-flows over the near to medium term. Due to the Covid-19 pandemic, the work was stalled in the month of April, 2020. Consequently, with 70-80 percent of the labour force back to work and reduction in disruptions of supply of raw material, the construction has been started from May, 2020. DRPL had to modify the project by addition of the 19 North project (mid-segment) into the 73 East (luxury-segment) project due to the changing market dynamics. This has partially helped DRPL receive improved response from the market towards the project. Acuite believes that with average completion status of 25 percent and bookings of ~7 percent the execution and demand risk stands significant.

Liquidity position: Stretched

The company has stretched liquidity position marked by payments of long term debt against the slow speed of construction and low customer advances received. The company has received only ~11 percent of the customer advances from the flats booked till date. Acuite expects the liquidity position to remain stretched due to lack of financial closure.

Rating Sensitivities

- Timely realization from the sales of huge inventory, thus reducing the pileup.
- Lower than expected sales traction leading to increased dependence on debt.
- Timely project execution as per the schedule.
- Timely achievement of financial closure.

Material Covenants

None

Outlook: Stable

Acuite believes that the DRPL will maintain 'Stable' over the medium term on account of experienced promoters and strong brand presence. The outlook may be revised to 'Positive' in case the company achieves significantly higher than expected customer bookings and advances and achieves project execution as per schedule. Conversely, the outlook may be revised to 'Negative' in case of less than expected customer bookings and advances, an increase in unsold inventory or delay in project execution, leading to further stretch on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	(1.69)	(0.04)
PAT	Rs. Cr.	3.20	6.76
PAT Margin	(%)	(189.35)	(15,136.61)
Total Debt/Tangible Net Worth	Times	0.99	0.59
PBDIT/Interest	Times	2.36	2.98

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Oct-2020	Proposed Bank Facility	Long Term	17.00	ACUITE BB / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Name of the Bank	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	117.00 (Enhanced from 17.00)	Not Applicable	ACUITE BB / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President – Corporate Ratings Tel: 022-49294041 aditya.gupta@acuite.in Aditya Sahu Analyst – Rating Operations Tel: 022-49294055 aditya.sahu@acuite.in	Varsha Bist Senior Manager – Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,400 credit ratings to various securities, debt instruments and bank facilities of entities spread

across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.*