

## Press Release

### Dimple Realtors Private Limited

March 17, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	117.00	ACUITE BB+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	117.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) from '**ACUITE BB**' (read as **ACUITE Double B**) on Rs.117.00 Cr. bank facilities of Dimple Realtors Private Limited (DRPL). The outlook is '**Stable**'.

#### Rationale for Rating Upgrade

The rating upgrade takes into account the DRPL's healthy sales and collection traction in their key projects - Kandivali (West) (19 North and 73 east) in current year. It also draws comfort from the experienced promoters, established operational track record and low gearing. The rating, however, is constrained by project completion risk, and susceptibility to real estate cyclicity and regulatory risks.

#### About the Company

DRPL, incorporated in January 1998 by Mr. Nitin Patel has developed 15 real estate projects of over 1 million square Feet. The DRPL's projects are primarily in Dahisar, Borivali, Mira Road, Kandivali and Wadala. The company has 30% partnership in SKD realtors which has a new project in Mira Road (Pinnacle Phase II) started in 2019 with 82 units lying in execution stage. This is only funded through promoter's contribution and customer advances.

The ongoing project in Kandivali west (19 North and 73 East) has 339 units and (includes 15 commercial units) with saleable area of 2.44 Lakh Square Feet. This project also started in 2019 and is in execution stage with incurrence of 54% of the project cost till Dec 2021 and 32% of the area sold.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

##### >Experience Management and Established track record

Promoters have vast experience of more than 2 decades in the field of construction of Housing and residential complexes. Along with the promoter Mr. Nitin Patel, his son Mr. Divyanshu Patel has joined as director in 2020 and has an experience of 5 years He looks after the execution and marketing of the project. The Company has developed projects of 1 million

square feet in the past with 15 real estate projects spread in Dahisar Boriwali, Mira road Kandiwali and Wadala. The Company provides both luxury and budget homes.

Acuite believe extensive experience of promoters and established track record would help the firm even going ahead.

### **>Healthy sales and collection traction leading to liquidity profile**

The total project cost of 73 East and 19 North was Rs 345.25 crore out of which the company has already incurred cost of Rs 187.40 crore till 31.12 2021. 73 East project has 174 units out of which 34 units are sold and 19 north (construction started in July, 2021) has 166 units out of which 75 units are sold. The total value of the sold units amounts to Rs 120.37 crore and against that the company has received Rs 29.62 crore. Thus against the pending project cost of Rs 157.85 crore the company has committed receivables of Rs 90.75 crore. The projected cash flow of the project is estimated at 475.30 crore. Continued traction in sales and collection will be a key for DRPL to generate cash inflow commensurate with its cost and repayment obligations.

### **Weaknesses**

#### **>Susceptibility to real estate cyclicity and regulatory risks**

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 in nature of business, like drop in property prices and interest rate risk, among others, which could affect the operations. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Moreover, Covid-19 has also impacted the entire real estate sector in terms of labour shortage, lower demand, etc. Further, the industry is exposed to regulatory risk, which is likely to impact players like Dimple Realtors, thereby impacting its operating capabilities.

#### **>Execution Risk**

The company has already completed 54% of the project however the company is yet to incur Rs 157.85 crore towards the completion of the project which it is foreseeing to partly meet through committed receivables of Rs.90.75 crore and disbursement of remaining loan. The balance cost would be covered through additional sales i.e sales of pending 68% of units out of total 309 units. Although funding risk is relatively lower due to receivables from sold units and bank facility the project is still susceptible to demand risk. Any volatility in the sales and collection traction of Tower D and E would adversely impact the completion of the towers, hence, the project is exposed to execution risk.

Acuite, believes healthy sales and collection traction towards the project to ensure timely completion of the project.

### **Rating Sensitivities**

- Timely execution of the project
- Collection traction from the offtake of units

### **Material covenants**

None

### **Liquidity Position: Adequate**

DRPL has received 25% of advance cash of Rs 29.62 crore against 32% of the total units sold. Projected cash flow is Rs 494.13 crore. The company is projecting annual cashflow of Rs 45 crore to Rs 55 crore in medium term against annual repayment obligation of Rs 40 to 60 crore starting from June 2024. DRPL has already incurred construction cost of Rs 187 crore with Rs 101 crore of own contribution, Rs 53 crore of SBI loan Disbursement and balance from advance from customers. DRPL SBI repayment will start from June 2024 and required to maintain DSRA account of Rs 15 crore before peak repayment period. Escrow account and timely inflow of cash from the project will enable DRPL to maintain its liquidity position at comfortable level.

### Outlook: Stable

Acuité believes that the DRPL would maintain 'Stable' outlook over a medium term on the back of experienced management, long track record of operation and low funding risk. The outlook may be revised to 'Positive' in case of higher-than-expected new bookings. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in project execution.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	14.51	12.26
PAT	Rs. Cr.	1.49	3.20
PAT Margin	(%)	10.29	26.13
Total Debt/Tangible Net Worth	Times	0.91	0.73
PBDIT/Interest	Times	1.42	2.36

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

Not Applicable

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Nov 2020	Proposed Bank Facility	Long Term	117.00	ACUITE BB   Stable (Reaffirmed)
28 Oct 2020	Proposed Bank Facility	Long Term	17.00	ACUITE BB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	02-12-2020	Not available	31-03-2026	100.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
PNB Housing Finance Limited	Not Applicable	Term Loan	22-02-2021	Not available	30-06-2026	7.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
Aditya Birla Finance Limited	Not Applicable	Term Loan	20-07-2021	Not available	15-07-2036	10.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )

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### About Acuité Ratings & Research

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