

## Press Release

Dimple Realtors Private Limited

December 21, 2022



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	117.00	ACUITE BBB-   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	142.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE Double B plus**) on Rs.117.00 Cr. bank facilities of Dimple Realtors Private Limited (DRPL).

Further, Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs.25.00 Cr. bank facilities of DRPL. The outlook is '**Stable**'.

### Rationale for Rating Upgrade

The rating upgrade takes into account DRPL's healthy sales and collection traction in its key ongoing projects (19 North and 73 east) in Kandivali (West) during FY2022 and 9MFY2023. As on September 2022 collectively for both projects, DRPL has been able to sell area of around 1.07 lakh sqft, at Rs. 220 Cr. against which Rs. 99 Cr has been collected in the form of advances. The rating also draws comfort from the strong experience of the promoters of over two decades, its 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 completed developing over 15 real estate projects of over 1 million square feet. 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. The ongoing project in Kandivali west (19 North and 73 East) has 400 units (includes 15 commercial units) with saleable area of 3.09 Lakh sqft. This project was started in 2019 and is in execution stage with incurrence of around 61% of the total project cost till Sept 2022 and around 35% of the area sold. The completion date of both the projects is scheduled in June and December 2025, however the company is expecting to complete both projects by 2024.

### Analytical Approach

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

this rating

## Key Rating Drivers

### Strengths

#### Experienced management and established track record of operations

DRPL was established by Mr. Nitin Patel in January 1998. The current promoters Mr. Nitin Patel and his son Mr. Divyanshu Patel have a vast experience in the similar line of business. Mr. Nitin Patel has experience of more than 2 decades in the field of housing construction and residential complexes. The company has till date developed more than 12 Lakh sqft area and completed over 15 projects within Mumbai Suburban area including Andheri, Kandivali, Borivali, Dahisar, Mira road, Wadala etc.

Currently, company has 2 buildings (73 East and 19 North) in hand for developing residential and commercial complexes with saleable area of around 3.09 LSF (Lakh sq. ft.) in Kandivali West, Mumbai Maharashtra.

Acuite believes the established track record of the company and its extensive experience in developing both luxury and budget homes will help the company in catering to various class of customers.

#### Steady construction pace as well as healthy sales and collection traction.

DRPL has received approvals for additional FSI for both projects 73 East and 19 North. The total saleable carpet area as on date is 3.09 lakh sqft against 2.44 lakh sqft earlier. Under 73 East project with G+40 floors the company has completed constructing around G+13 slabs and under 19 North with G+23 floors, DRPL has completed constructing its 23rd slab. 73 East has 219 units out of which 56 units are sold and 19 north has 181 units out of which 139 units are sold. The total value of the sold units amounts to Rs 220 crore and against that the company has already received Rs 99 crore. Against the pending project cost of Rs. 165 Cr. the company has committed receivables of Rs. 121 Cr. The total balance project cost would be funded through a debt of around Rs. 44 Cr. Further, the total sales potential of the project is estimated at around Rs. 650 Cr. The quarterly repayment obligations for the DRPL are expected to remain between Rs. 12- Rs. 17 Cr. starting from June 2024.

Continued sales and collection traction will remain a key sensitivity for generating sound cash flows commensurate with its cost and repayment obligations.

### Weaknesses

#### Project Execution Risk

The estimated total cost for both of DRPL's projects together is Rs 425 Cr out of which the company has already incurred cost of Rs 261 Cr. (Rs. 57 Cr funded through debt, Rs. 99 Cr through advance bookings, Rs. 102 Cr through promoter's contribution and around Rs. 3 Cr. of capital creditors) as on Sept 2022. It has incurred ~61 percent of the project cost however it is yet to incur Rs 165 Cr. towards the completion of the project which it is expecting to partly meet through committed receivables of Rs.121 Cr and disbursement of the remaining loan. Although funding risk is relatively lower due to receivables from sold units and sanctioned bank facility, the project is still susceptible to certain demand risk as significant portion of project still remains to be completed. Any volatility in the sales and collection traction of 73 East and 19 North would adversely impact the completion of the towers, exposing the project to execution risk. However, given the healthy sales and collection traction towards the project till date, execution risk is mitigated to certain extent.

#### Susceptibility to real estate cyclical 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 and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus operating growth of real estate players.

## Rating Sensitivities

- Timely completion of each slab ensuring timely execution of the project
- Timely collection from the receivables' units

## Material covenants

None

## Liquidity Position

### Adequate

DRPL has received 45% of advance cash of Rs 98.87 Cr against 49% of the total units sold. Projected cash flow is Rs 650 Cr. The company is expecting annual cashflow of Rs 50 crore to Rs 70 crore in the medium term against annual repayment obligations of Rs 40 to 60 crore starting from June 2024. DRPL has already incurred construction cost of Rs. 261 Cr with Rs 101 Cr. of own contribution, Rs 57 Cr. of term loan and balance from advance bookings from customers. For the balance construction cost of Rs. 165 Cr. that still needs to be incurred, DRPL has around Rs. 44 Cr. unutilized from its sanctioned TL and receivables outstanding at Rs. 121 Cr from its already sold inventory as on Sept 2022, which together will be sufficient to cover the balance construction cost. Further there will be additional inflow from selling new inventory as well which can be utilized towards the repayment of the TL.

Escrow account and timely inflow of cash from the project will ensure DRPL to maintain its liquidity position at comfortable level.

## Outlook: Stable

Acuité believes that the DRPL will maintain a 'Stable' outlook over medium term on the back of experienced management, long track record of operations, low funding risk and steady sales and collections traction. 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 or lower than expected bookings of the units affecting the cash flows.

## Other Factors affecting Rating

Not Applicable

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	7.41	2.40
PAT	Rs. Cr.	7.18	1.49
PAT Margin	(%)	96.92	62.16
Total Debt/Tangible Net Worth	Times	1.78	0.91
PBDIT/Interest	Times	2.11	1.42

## 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>
- 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

In order to inform the investors about complexity of instruments, Acuité has categorized such

instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Mar 2022	Term Loan	Long Term	100.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Term Loan	Long Term	10.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Term Loan	Long Term	7.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
06 Nov 2020	Proposed Bank Facility	Long Term	117.00	ACUITE BB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB-   Stable   Assigned
Kotak Mahindra Bank	Not Applicable	Covid Emergency Line.	Jul 30 2020 12:00AM	Not Applicable	Jul 31 2024 12:00AM	Simple	0.39	ACUITE BBB-   Stable   Assigned
Aditya Birla Capital	Not Applicable	Lease Rental Discounting	Jul 20 2021 12:00AM	Not Applicable	Jul 31 2036 12:00AM	Simple	13.00	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Dec 2 2020 12:00AM	Not available	Mar 31 2026 12:00AM	Simple	100.00	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
PNB Housing Finance Limited	Not Applicable	Term Loan	Feb 22 2021 12:00AM	Not available	Jun 30 2026 12:00AM	Simple	7.00	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
Aditya Birla Finance Limited	Not Applicable	Term Loan	Jul 20 2021 12:00AM	Not available	Jul 15 2036 12:00AM	Simple	10.00	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
Aditya Birla Capital	Not Applicable	Term Loan	May 25 2022 12:00AM	Not available	Jun 20 2029 12:00AM	Simple	8.61	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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