

Press Release

Deeta Constructions Private Limited

March 31, 2023

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	467.00	ACUITE D Assigned	-
Total Outstanding Quantum (Rs. Cr)	467.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE D**' (Read as **ACUITE D**) to the Rs.467.00 Cr bank facilities of Deeta Constructions Private Limited (DCPL).

Rationale for rating

The rating assigned reflects the delay in servicing of debt obligation by DCPL as confirmed by its respective banker. The rating is, albeit, constrained by its below average financial risk profile, working capital intensive operations and inherent cyclicity in real estate industry.

About the Company

Deeta Constructions Private Limited (DCPL) is a Karnataka based company incorporated in 2006. The Company is engaged in the activities relating to real estate. The company is managed by Mr. Thippareddygar Harikrishna and Mr. Gopinath Raj Kumar. DCPL is a subsidiary of Mantri Developers Private Ltd and is part of Mantri Group. DCPL operates a commercial complex named Mantri commercio located at Marathahalli, Bangalore. Total area of building is 4.69 lakhs Sq.fts and leased out to seven tenants.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Deeta Constructions Private Limited(DCPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experiences management and established track record in real estate

Deeta Constructions Private Ltd(DCPL) is managed by Mr. Thippareddygar Harikrishna and Mr. Gopinath Raj Kumar. DCPL is a subsidiary of Mantri Developers Private Ltd and part of Mantri Group, which has an experience of more than two decades in real estate and construction business. Mantri group has long track record in execution of residential and commercial projects in cities like Bengaluru, Hyderabad, Chennai, Pune and Delhi.

Weaknesses

Below averages financial risk profile and working capital intensive operations

The financial risk profile of the company has remained below average with below average capital structure and debt protection metrics. DCPL's net worth of the group stood at Rs. (161.19) as on March 31, 2022 as against Rs.(167.74) as on March 31, 2021 due to continuous losses . The gearing of the group stood high at (4.12) times as on March 31, 2022 as against (4.00) times as on March 31, 2021 on account of low net worth due to increase in debt exposure. Debt protection metrics stood below average with interest coverage ratio and debt service coverage ratio stood at 1.03 times and 0.92 times respectively as on March 31, 2022 as against 1.03 times and 0.92 times respectively as on March 31, 2021. TOL/TNW stood at (4.66) times and (4.62) times as on March 31, 2022 and 2021 respectively. DCPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 2500 to 3500 days during last 3 years through FY2022. Current ratio stood at 11.24 times as on March 31st 2022 as against 8.57 times as on March 31st 2021.

Delays in servicing of debt obligations

DCPL has delayed in servicing of its debt obligation in the month of July '22, November '22, January '23 and March '23.. As on March 2023, the account has been regularized as confirmed by the banker.

Susceptible 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 the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. DCPL is exposed to the risk of volatile prices on account of demand-supply mismatches in the Bangalore real estate market. The company is exposed to market risks for pricing and timely collection, particularly if there are sustained lockdowns owing to Covid-19 pandemic. Further, the industry is exposed to regulatory risk, which is likely to impact players such as DCPL, thereby impacting its operating capabilities.

Rating Sensitivities

- Regular servicing of its debt obligations.

Material covenants

None

Liquidity Position: Stretched

The company's liquidity position is stretched marked by delays in debt servicing in its fund based bank limits from July 2022 to March'23. Company is having NCA of Rs 2.31 Cr ending FY2022 against its long term debt obligations of Rs. 7.98 Cr. The working capital cycle of DCPL stood high on account of high GCA (Gross Current Asset) days of 3505 in FY2022. Unencumbered cash and bank balances stood at 0.08 Cr as on March 31, 2022. The current ratio of the company stood at 11.24 times as on March 31, 2022.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	37.33	36.65
PAT	Rs. Cr.	(5.60)	(6.68)
PAT Margin	(%)	(15.01)	(18.21)
Total Debt/Tangible Net Worth	Times	(4.12)	(4.00)
PBDIT/Interest	Times	1.03	1.03

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuite 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.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	467.00	ACUITE D Assigned

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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