

October 08, 2013

Facilities/Instruments	Amount (Rs. Crores)	Rating
Term Loan	20.0	SMERA B/Stable/Assigned

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA Single B**) to Rs.20.0 crore long term facilities of Darvesh Bussa Realtors Private Limited (DBRPL). The outlook is '**Stable**'. The rating is constrained because of the company's relatively weak financial profile, geographic concentration, presence in the inherently cyclical real estate sector, and project completion risks. However, the rating derives benefit from DBRPL's experienced management and high saleability observed in the past projects under the group (the company is part of the Darvesh group of companies).

The company's financial profile is weak and is constrained because of low net worth of Rs.0.04 crores and very high gearing (considering unsecured loans as debt) at 735.53 times as on March 31, 2013. All unsecured loans are also interest bearing. DBRPL is currently executing a Rs.56.6 crore residential cum commercial project in a Mumbai suburb (Khar). The company is yet to book revenues from the Belleza project as the construction is only at plinth level. This exposes the project to significant execution risks. However, cash flows from the project continue to accrue despite not booking any revenue, which mitigates the liquidity pressure to some extent.

The real estate industry in India is highly fragmented with most developers having a city-specific or region-specific presence. DBRPL had work in progress (WIP) amounting Rs.36.00 crores as on March 31, 2013. SMERA believes that execution delays could further expose the project to significant cost and time overruns consequently impacting the company's debt repayment. The quarterly debt repayment is scheduled to commence from Q3 2014-15.

The rating is supported by the company's experienced management. Mr. Praful K. Bussa has four decades of experience and the other directors have two decades of experience in the real estate industry. As a group, the management has executed around 30 residential and commercial projects. Although Belleza is the first project under the joint alliance of the Darvesh and Bussa Group, SMERA has observed higher than average saleability in the group's earlier projects.

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Outlook: Stable

SMERA believes DBRPL's outlook will remain stable given the timely execution of the current projects so far, healthy bookings and steady receipt of advances from customers. The outlook may be revised to 'Positive' if DBRPL successfully executes the projects in a timely manner and generates healthy cash flows. The outlook may be revised to 'Negative' in case of any delay in project execution of lower-than-expected sales realization, or higher-than-expected debt funding.

About the company

DBRPL was incorporated by the Darvesh Group in 1997 under the name Salmariya Estates Private Limited. In 2010, the company was renamed as DBRPL following the Darvesh Group's association with the Bussa Group. DBRPL is managed by Mr. Mehboob U. Darvesh, Mr. Nadeem U. Darvesh, Mr. Praful K. Bussa and Mr. Chirag P. Bussa. The company is a small regional player with major focus in Mumbai. The group has executed around 30 projects so far; however DBRPL has not executed any project in the last seven years. Currently, DBRPL is undertaking construction of a residential-cum-commercial project (named Belleza) at Khar (West), Mumbai.

About the project

Belleza is a Khar-based residential cum commercial project (involving redevelopment) with an area of 35,000 sq. ft (including basement + ground + thirteen floors). The project cost is estimated at Rs.56.6 crores, which is likely to be funded through a mix of unsecured loans from the promoters' family and friends, customer advances and bank borrowings. The estimated sales realization is Rs.61.9 crores.

The project was started in FY2010-11 and the deed of conveyance was executed in July 2011. The commencement certificate was issued in October 2012 and the project is expected to be completed by September 2015.

DBRPL has not booked any revenues till FY2012-13 as the project is still under construction. The company's WIP stood at Rs.36.0 crores as on March 31, 2013 (and Rs.28.1 crores as on March 31, 2012). The company's net worth stood at Rs.0.04 crores as on March 31, 2013 as compared with Rs.0.05 crores as on March 31, 2012.

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Darvesh Bussa Realtors Private Limited (DBRPL)

Rating
Rationale

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