



Press Release

Deepak Infra and Homes Private Limited (DIHPL)

November 23, 2023

Ratings:

Instrument / Facility	Amount (Rs. in crores)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facilities – Dropline Overdraft	6.60 (Reduced from 9.30)	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	Rating Reaffirmed and Outlook Revised	Simple
Proposed Long Term Fund Based Bank Facilities – Term Loan	70.00	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	Rating Reaffirmed and Outlook Revised	Simple
Total	76.60 (Rupees Seventy-six crores and sixty lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in outlook reflects adverse impact on the gearing levels as well as cash flows of the company due to corporate guarantee of Rs. 95 crores provided to its group company Deepak Hotels Infra Private Limited. The Negative outlook also reflects absence of financial closure for its project The Three Leaves. Any delay in financial closure could impact the projected cash flows of the company.

Further, affirmation of the ratings assigned to bank facilities of Deepak Infra and Homes Private Limited (DIHPL) continues to derive its strength from experienced promoter and long track record of operations, good track record of project completion and market goodwill in Nashik and healthy cashflow expected from ongoing projects reflecting strong cash coverage. However, the rating strengths are partially offset by project execution risk with multiple projects executed simultaneously, cyclical nature of the real estate industry, subject to regulations and geographical concentration risk.



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Key Rating Sensitivities:

Upward Factors:

- Upward revision in the sales rate per sq. ft resulting in improved project surplus as envisaged.
- Project execution as scheduled supported by timely realization of customer advances as envisaged.
- Sales momentum as projected coupled with improved operating margins.

Downward Factors:

- Time or cost overrun in the ongoing projects impacting the financial risk profile.
- Downward revision in sales rates in turn leading to losses in the projects.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoter and long track record of operations:

The firm is part of the Deepak Builders and Developers (DBD) group which has constructed more than 32 projects measuring 20.5 lakh Sq. ft. (super built up) in Nashik. DIHPL was incorporated in 2021 as part of corporatisation of business and is expected to take up residential and commercial real estate projects from Deepak Builders and Developers LLP. Established in 1989, Deepak Builders and Developers undertakes real estate development projects in Nashik, Maharashtra. The promoter, Mr. Deepak Chande is engaged in the real estate business for more than 3 decades and has good experience in the real estate and construction sector and is supported by qualified professionals in the firm.

Good track record of project completion and market goodwill in Nashik:

Deepak Builders and Developers group is a renowned real estate developer in Nashik and has a good track record of completing multiple projects. Hence the goodwill of the group helps in achieving sales across its projects. As for every real estate organisation, off-take risks continue to remain a challenge in the construction phase of a project.



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Healthy cashflow expected from ongoing projects reflecting strong cash coverage:

The company has an unsold inventory of Rs 261.50 Crore and receivables from already sold inventory is Rs. 51.80 Crore as on 30th September 2023. Healthy cashflow are expected over the period of FY24 - FY26 on account of sale of remaining units. However, the group's ability to sell these units timely and generate cash flows is crucial for the Company's overall performance.

Key Rating Weaknesses:

Project execution risk with multiple projects executed simultaneously:

The company is executing one commercial project and one residential project simultaneously. The projects are of different sizes with long gestation period and are at various stages of completion. Multiple projects intensify project execution risk as real estate projects involves various external factors like availability of labour, availability of construction materials, requisite approvals, clearances, economic scenarios etc. Considering the gestation period of around three years for completion of real estate projects, any volatility in the raw material prices and labour costs will impact the cost of the project as the selling prices are fixed upon booking. However historically the group has track record of timely completion of the projects.

Cyclical nature of the real estate industry, subject to regulations:

The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The sector is also subject to multiple regulatory approvals from respective authorities; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

Geographical concentration risk:

All the past and ongoing projects of the group is located in Nashik, Maharashtra which exposes the company to geographical concentration risk. Any adverse movement in the regional real estate market can impact the overall operations of the company.

Analytical Approach: Standalone

Applicable Criteria:



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[Rating Methodology for Real Estate Entities.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are healthy to meet the debt repayment obligations. The current ratio stood at 1.76x times as on 31st March 2023. Cash and Cash equivalent amounted to Rs. 1.11 Crore as on 31st March 2023. The company has substantial advance from customers receivables which provides sufficient cushion for near term liquidity and adequate cash cover to complete the construction.

About the Company:

Deepak Infra and Homes Private Limited (DIHPL), based in Nashik, was incorporated on February 03, 2021. Mr. Deepak Chande is the promoter of the company having experience of more than 30 years in the real estate industry. DIHPL was incorporated in 2021 as part of corporatisation of business and is expected to take up residential and commercial real estate projects from Deepak Builders and Developers. Established in 1989, Deepak Builders and Developers undertakes real estate development projects in Nashik, Maharashtra. Currently the company is undertaking one commercial project namely Nathseeta Yeolekar Commercial Tower and one residential project namely Three Leaves, both are these projects are in Nashik.

Financials: Standalone

(Rs. Crore)

For the year ended/ As On	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	2.73	15.40
EBITDA	0.37	0.76
PAT	0.24	0.25
Total Debt	9.27	9.21
Tangible Net-worth	20.82	42.23
Ratios		



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EBITDA Margin (%)	13.48	4.94
PAT Margin (%)	8.70	1.63
Overall Gearing Ratio (x)	0.45	0.22

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating: 23 rd Nov 2023	Date(s) & Rating(s) assigned in 2022-23 : 25 th August 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (May/11/20)
1.	Long Term Fund Based Bank Facilities – Dropline Overdraft	Long Term	6.60 (Reduced from 9.30)	IVR BBB- /Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	-	-
2.	Proposed Long Term Fund Based Bank Facilities –Term Loan	Long Term	70.00	IVR BBB- /Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments



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rated by it based on complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to the best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates a wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Dropline Overdraft	--	--	--	6.60 (Reduced from 9.30)	IVR BBB- /Negative (IVR Triple B Minus with Negative Outlook)
Proposed Long Term Fund Based Bank Facilities – Term Loan	--	--	--	70.00	IVR BBB- /Negative (IVR Triple B Minus with Negative Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-DIHPL-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com