



## Press Release

### D.N. Homes Private Limited

July 29, 2020

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Term Loan	25.00	IVR BBB - /Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Fund Based Bank Facilities – Cash Credit	5.00	IVR BBB - /Stable (IVR Triple B Minus with Stable Outlook)	Assigned
<b>Total</b>	<b>30.00</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The aforesaid ratings assigned to the bank facilities of D.N. Homes Private Limited (DNHPL) derives comfort from its experienced promoters with long track record of operations and satisfactory level of sales for its launched projects with all required necessary approvals for its upcoming residential project. The ratings also consider DNHPL's satisfactory operating performance in FY20 (provisional). However, these rating strengths are partially offset by project execution and geographical concentration risk, high dependence on customer advances and exposure to risks relating to cyclicity in the real estate industry.

#### Key Rating Sensitivities:

##### Upward factors

- Timely completion of the ongoing project.
- Increase in bookings for the launched projects with timely receipt of advances.

##### Downward factors

- Delay in completion of project.
- Significant cost overruns of the project.
- Lower than expected booking status.
- Dependence on additional debt for its existing project.

#### List of Key Rating Drivers with Detailed Description

##### Key Rating Strengths

**Experienced promoters with long track record**



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Odisha based DNHPL has a track record of over 15 years in the real estate sector and has developed around 1.70 million square feet of space under its residential and commercial projects.

The company is promoted by the promoter director Mr. Jagadish Prasad Naik who is also the Managing Director in the company. Mr. Naik is a civil engineer by qualification and has been associated with the company since inception. He has an experience of over two decades in the field of infrastructure development and housing business across Odisha and is very well connected in the state. He is actively involved in managing the day to day affairs of the company along with the support of experienced and qualified professionals.

### **Necessary approvals for the upcoming residential project in place**

DNHPL currently has one on-going residential project - DM Fairytale with 10.36 Isf (lakh square feet) area at different stages of execution. The company has received necessary approvals for its ongoing project, mitigating the regulatory risks in entirety.

### **Satisfactory level of sales for the launched projects**

The company presently has 3 launched projects (DN Oxypark, DN New Town and DN Fairytale) with total saleable area of 19.03 Isf, having an estimated sale value of Rs.717.16 crore. The company has already received bookings for about 12.86 Isf (~68%) with total sale value of Rs.480.00 crore (~67% of estimated sale value of Rs.717.16 crore), as on May 31, 2020. DNHPL has already received Rs.342.00 crore (~71% of total sales booked) till May 31, 2020 which indicates comfortable cash flow position of the company. Improving sales momentum and timely receipt of customer advances are key monitorable.

### **Satisfactory operating performance in FY20 (Prov.)**

The company recognizes revenue as per the percentage of completion method. Total operating income witnessed a decline and stood at Rs.36.25 in FY19 crore as against Rs.58.16 crore in FY18 on account of reduction in bookings for its completed projects. Also, there was a delay in launching of DN Fairytale project (the project was launched for sale on December, 2019) due to state elections in Odisha. This aided to the decline in total operating income in FY19. Consequently, there was a decline in absolute EBITDA from Rs.6.10 crore in FY18 to Rs.4.91 crore in FY19. However, EBITDA margin improved from 10.49% in FY18 to 13.55% in FY19. In spite of improvement in EBITDA margin, PBT margin and PAT margin



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declined and stood at 4.50% and 2.62% respectively in FY19 as against 4.99% and 3.28% respectively in FY18 on account of higher interest cost and depreciation provision.

The total operating income increased from Rs.36.25 crore in FY19 to Rs.59.98 crore in FY20 (prov.) majorly due to increase in bookings from its ongoing project – DN Fairytale. The EBITDA margin also improved from 13.55% in FY19 to 20.82% in FY20 (prov.). Consequently, PBT margin and PAT margin also improved from 4.50% and 2.62% respectively in FY19 to 8.27% and 5.34% respectively in FY20 (prov.).

### **Key Rating Weaknesses**

#### **Project execution risk**

The company is simultaneously executing two projects – one being the upcoming residential project named DM Fairytale and another being a building which will be given to a trust on lease for running of school. Considering the long gestation period for completion of real estate projects, any volatility in the raw material prices and labor costs will impact the cost of the project and overall profitability.

#### **High dependence on customer advances**

The company is largely dependent on customer advances for funding of its ongoing project. As on May 31, 2020 the total cost of the ongoing project of the company (DM Fairytale) is estimated at Rs.225.00 crore which is proposed to be funded through internal accruals of Rs.60.00 crore and the balance through customer advances. Out of the total cost, the company incurred Rs.44.00 crore till May 31, 2020, funded through internal accruals of Rs.9.00 crore and balance through customer advances. Higher dependence on customer advances indicates execution risk going forward.

#### **Geographical concentration risk**

All the past and ongoing projects of DNHPL are located in Odisha (majorly in the capital city Bhubaneswar) 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. However, the strong hold of the promoters in the real estate market of Odisha mitigates the concentration risk to a certain extent.

#### **Exposure to risks relating to cyclicity in real estate industry**

Cyclicity in the real estate segment could lead to fluctuations in cash inflow because of volatility in realization and salability. This may affect the debt servicing ability of the company. DNHPL will remain susceptible to the inherent cyclicity in the real estate sector.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Real Estate Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity - Adequate**

D.N. Homes Pvt Ltd is projected to maintain an adequate level of inflow and the same is expected to increase gradually with increase in bookings/sales realization. Further, the company is likely to be benefited from the resourcefulness of the promoter group. Overall liquidity position is expected to be adequate. Cash and cash equivalent were comfortable at Rs.8.69 crore as on May 31, 2020. Timely inflow of customer advances will remain a rating sensitivity factor.

**About the Company**

Incorporated in December, 2003, Bhubaneswar, Odisha based DN Homes Private Limited (DNHPL) is engaged in real estate business and has developed many residential and commercial projects across Bhubaneswar over the years. Few of the landmark projects of the company include Avalon Residency, Royale Residency, Dreamz Villa, Adeeti Residency, Royale Garden Duplex, Savera Residency, Sixth Avenue, Northern Heights, Vipul Garden, DN Oxypark, DN Newtown, etc. The company's upcoming project is a residential project - DN Fairytale in Bhubaneswar, which consist of 708 flats. The estimated total cost of the project is Rs.225.00 crore which is proposed to be funded through internal accruals of Rs.60.00 crore and the balance through customer advances. The project is expected to be completed by April, 2022.

Apart from the residential project, the company has also developed a building in one of its existing land of ~6.70 acres situated at Sundarpur, Bhubaneswar. The building has been given to a trust named Dasarathi Naik Foundation for Excellence on lease to run a school in the name of 'The Wisdom Tree Global School'. The total estimated construction cost of the building is Rs.38.00 crore funded through term loan of Rs.25.00 crore and promoter's contribution of Rs.13.00 crore. The commercial operation date for the project is April 01, 2021.

**Financials (Standalone):**

**(Rs. crore)**



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For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	36.25	59.98
EBITDA	4.91	12.49
PAT	0.96	3.20
Total Debt	27.70	35.08
Tangible Net worth	20.99	24.21
EBITDA Margin (%)	13.55	20.82
PAT Margin (%)	2.62	5.34
Overall Gearing Ratio (x)	1.32	1.45

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

India Ratings has moved the rating of DNHPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the last Press Release dated September 19, 2019.

**Any other information:** Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	25.00	IVR BBB-/ Stable Outlook	-	-	-
2.	Cash Credit	Long Term	5.00	IVR BBB-/ Stable Outlook	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania Tel: (033) 46022266 Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Name: Mr. Avik Podder Tel: (033) 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
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**About Infomerics:**



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Bank Facilities – Term Loan	-	-	March, 2030	25.00	IVR BBB- / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	5.00	IVR BBB- / Stable Outlook