



## Press Release

### Deepak Infra And Homes Private Limited (DIHPL)

**August 25, 2022**

#### Ratings:

(INR Crore)				
Instrument / Facility	Amount	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Dropline Over Draft	9.30	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Proposed Long Term Fund Based Bank Facilities – Term Loan	70.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>79.30</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The ratings assigned to bank facilities of Deepak Infra And Homes Private Limited derives 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.

#### 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**



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The firm is part of the Deepak Builders And Developers (DBD) group which has constructed more than 30 projects measuring 18 lakh Sq. ft. 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. 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 three 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. Shree Kalika Plaza and Nathseeta Yeolekar Commerical Tower, having a total of 409 units has been 50% completed and close to ~20% of the units have been sold, as per the information shared by the company.

### **Healthy cashflow expected from ongoing projects reflecting strong cash coverage**

The company has an unsold inventory of Rs 264.00 Crore and receivables from already sold inventory is expected to be Rs. 118.00 Crore. The near completion nature of inventory position gives an added advantage to the Company, given the preference of the customers for such inventories. Healthy cashflow are expected in FY23 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 two commercial projects 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 firm has track record of timely completion of the projects.



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### **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 of 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:**

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

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

### **Liquidity: Adequate**

The liquidity position of the company remains adequate as cash accruals are healthy to meet incremental working capital limits. The current ratio stood at 3.76x times as on 31st March 2022(P). Cash and Cash equivalent amounted to INR 1.17 Crore as on 31st March 2022(P). 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 group is undertaking two commercial projects in Nashik namely Shree Kalika Plaza and Nathseeta Yeolekar Commerical Tower.



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### Financials (Standalone)

INR in Crore

For the year ended*/As on	31-03-2022
	(Provisional)
Total Operating Income	2.73
EBITDA	0.44
PAT	0.43
Total Debt	9.27
Adjusted Tangible Net Worth	70.81
EBITDA Margin (%)	15.99
PAT Margin (%)	15.74
Overall Gearing Ratio (x)	0.13

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Nil**

**Any other information: NA**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Long Term Fund based Bank Facilities – Dropline Over Draft	Long Term	9.30	IVR BBB- / Stable	--	--	--
2	Proposed Long Term Fund based Bank Facilities – Term Loan	Long Term	70.00	IVR BBB- / Stable	--	--	--

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### About Infomerics:

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 (INR Crore)	Rating Assigned/ Outlook
Long Term Fund based Bank Facilities – Dropline Over Draft	--	--	February 2026	9.30	IVR BBB- / Stable
Proposed Long Term Fund based Bank Facilities – Term Loan	--	--	--	70.00	IVR BBB- / Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Deepak-Infra-aug22.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 on the basis of complexity and a note thereon is available at <https://www.infomerics.com/>.