



Press Release

Deepak Infra and Homes Private Limited (DIHPL)

February 19, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long term Bank Facilities	25.03 (enhanced from 6.60)	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	Rating reaffirmed	Simple
Long term Bank Facilities – proposed	51.57 (reduced from 70.00)	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	Rating reaffirmed	Simple
Total	76.60	(Rupees Seventy-six crores and sixty lacs only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of DIHPL as it derives its comfort from the funding tie-up for the project, sufficient cash flow cover, healthy booking and physical progress, expected support from Deepak Builders and Developers, and an experienced management team with a proven track record. However, these rating strengths remain partially offset by the project execution risk due to multiple projects being executed simultaneously, geographically concentrated revenues, and the cyclical nature of the real estate industry.

The negative outlook reflects higher than expected support to DIHPL due to significant cost and time over run in the projects, uncertainty over liability from Income Tax Department related to Income tax raid which was happened during FY24 along with lower than expected improvement in cash flow coverage ratio, nascent stage of construction in new projects with higher reliance on customer advances leading to project completion risk.



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Key Rating Sensitivities:

Upward Factors

- Improvement in the sales velocity and collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.
- Significant reduction in guaranteed obligations to Deepak Hotels Infra Private Limited on a sustained basis.

Downward Factors

- Weaker-than-anticipated sales performance and lower-than-expected collections, which may lead to increased funding risk.
- Higher than expected funding support to Deepak Hotels Infra Private Limited
- Lower than expected funding support from Deepak Builders

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Funding Tie-up for the on-going project**
DIHPL has already completed a funding tie up for its Amrapali project. However, funding tie-up for recently launched Three Leaves Phase 1 is yet to be achieved, partially reducing the funding risk.
- **Sufficient cash flow cover**
Infomerics expects, on a consolidated basis, DIHPL is expected to have average cash flow coverage of 1.53, with minimum cash flow coverage of 1.29x through FY25-FY27 which provides sufficient headroom to meet debt obligations and committed expenses.
- **Healthy booking and Physical Progress**
DIHPL has achieved robust bookings with commercial project Nathseetha has achieved bookings of 78% of the total available units for the sale, while residential project achieved



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55% booking of the total available units. DIHPL has also able to sell 21% of the available units for newly launched commercial projects. DIHPL has achieved 65% of physical progress for the Nathseeta while 10% for residential project.

- **Experienced Management and proven track record**

DIHPL has experienced management and till March 2024, DBD developed total area of 22.08 lakh square feet including commercial and residential projects. The promoters Mr. Deepak Chande is having more than 35 years' experience in real estate industry. DIHPL has achieved robust sales in its under construction residential & commercial project, with healthy customer bookings resulting in 42% of units sold (178 out of 421). The outstanding balance from these sales will be received in quarterly instalments tied to construction milestones.

Key Rating Weaknesses

- **Dependency on external support:**

DIHPL is relied on funding support from the group company i.e. Deepak Builders for completion of its project. Deepak Builders is expected to infuse Rs.6.25 crore during the current quarter and Rs.25 crore and Rs.18.75 crore during FY25 and FY26 respectively. Deepak Builders is expected to infuse this capital through excess cash flow from ongoing projects in the firm. Any delay in completion of the projects of Deepak Builders and realization of cash flows will delay in infusion of funds in the company which will impact on the liquidity of the company.

- **Significant reliance of customer advances:**

Out of the total project cost including newly launched projects, DIPL is expected to fund its project through customer advances ~75%, lower than expected velocity of sales would result into lower cash inflows which would impact the projected cash flows of the company. Furthermore, out of the total estimated cost of Rs. 559.30 crore, DIHPL has already incurred Rs. 96.80 crore (~17%) funded through mix of promoter's contribution (17%), borrowings (25%) and balance through customer advances.



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- **Geographically concentrated revenues**

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.

- **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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Real Estate Entities](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The project under development by the company is funded by a combination of debt, customer advances and promoter funds. The firm is projected to have comfortable cash cover to service its debt obligations as evidenced by above unity cash flow coverage ratio of the project throughout the projections. In addition, availability of escrow mechanism along with DSRA account will ensure the smooth repayments. On an overall basis, projected cash flow appears to be adequate.



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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.

Financials: Standalone

(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	15.40	10.96
EBITDA	0.76	2.79
PAT	0.25	1.97
Total Debt	9.21	25.03
Tangible Net Worth	10.48	12.13
EBITDA Margin (%)	4.95	25.48
PAT Margin (%)	1.62	17.79
Adjusted Overall Gearing Ratio (x)	0.22	2.59
Interest Coverage (x)	1.85	15.11

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (November 23, 2023)	Date (August 25, 2022)	-
1.	Long Term Fund Based Bank Facilities	Long Term	14.03 (enhanced from 6.60)	IVR BBB-/Negative	IVR BBB-/Negative	IVR BBB-/stable	-



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					Date (November 23, 2023)	Date (August 25, 2022)	-
	- Dropline Overdraft						
2.	Proposed Long Term Fund Based Bank Facilities – Term Loan	Long Term	51.57 (reduced from 70.00)	IVR BBB-/Negative	IVR BBB-/Negative	IVR BBB-/stable	-
3.	Long Term Fund Based Bank Facilities – Overdraft	Long Term	11.00	IVR BBB-/Negative	-	-	-

Analytical Contacts:

Name: Amey Joshi

Tel: (022) 6239 6023

Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd (Formerly Infomerics Valuation And Rating Pvt. Ltd.) 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 best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates 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.



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

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Dropline Overdraft	-	-	-	-	14.03 (enhanced from 6.60)	IVR BBB-/ Negative
Proposed Long Term Fund Based Bank Facilities – Term Loan	-	-	-	-	51.57 (reduced from 70.00)	IVR BBB-/ Negative
Long Term Fund Based Bank Facilities – Overdraft	-	-	-	-	11.00	IVR BBB-/ Negative

**Bank guarantee of Rs. 25.00 crore, sublimit of LC.*

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-deepakinfra-feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not applicable



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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.

