

April 11, 2023

DMD Developers Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	90.00	[ICRA]BB- (Stable); assigned
Total	90.00	

*Instrument details are provided in Annexure I

Rationale

The rating assigned to DMD Developers Private Limited (DMDPL) derives comfort from the long experience of the DMD Group's partners spanning over three decades in the Surat real estate sector and the favourable location of its ongoing commercial project.

The rating is, however, constrained by DMDPL's exposure to high market risk with only 7% (total saleable area of 1.1 million sq ft) of area sold till December 31, 2022. Nonetheless, the risk is mitigated by the fully completed status of the project. The company is exposed to funding risk arising from high dependence on timely collections against sales as the repayments have started from October 31, 2022 onwards. The pending receivables (Rs. 10.6 crore) covered only 10% of the debt outstanding as on December 31, 2022. The rating is constrained by the high geographical risk inherent in single-project companies and the cyclicity in the real estate industry, which could impact DMDPL's sales as well as profitability.

The Stable outlook on the [ICRA]BB- on DMDPL's rating reflects ICRA's opinion that the company will maintain the adequate sales and collection benefitting from the DMD Group's long experience in Surat.

Key rating drivers and their description

Credit strengths

Extensive experience of partners in real estate development – The DMD Group, promoted by Mr. Dharmeshbhai Patel, has over the last 30 years executed over 40 projects covering more than 17 mn sq ft of area across Surat, Gujarat.

Favourable location of the project – The project's Phase-1, i.e. Radha Raman Textile Market (RRTM)-I, has been successfully constructed in 2017. Supported by healthy demand in the market, the company has developed Phase-2, i.e. RRTM-II, close to Phase-1 targeting the textile market in Surat.

Credit challenges

Exposure to significant market risk – The rating is constrained by DMDPL's exposure to high market risk with only 7% of the area sold till December 31, 2022.

Exposure to funding risk – The company is exposed to funding risk arising from high dependence on timely collections against sales as the repayments have started from October 2022 onwards. As on December 31, 2022, the pending receivables (Rs. 10.6 crore) covered only 10% of the debt outstanding.

Exposure to risks and cyclicity in India's real estate sector – The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure because of a large number of regional players. Being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the company's sales vulnerable to any

downturn in demand and competition within the region from various established developers. The risks are heightened by the dependence on a single micro-market for sales and revenues.

Liquidity position: Stretched

The company's liquidity is stretched, marked by low cash and cash equivalents of Rs. 0.78 crore as on March 31, 2022. The cash flow adequacy ratio remained low at around 10% as on December 31, 2022. Sustaining the collection momentum and improving the sales velocity would be critical for improving the liquidity position.

Rating sensitivities

Positive factors – The rating may be upgraded in case of healthy bookings and collections leading to improved cash flows and significant reduction in debt.

Negative factors – Considerable delays in bookings leading to subdued collections may warrant a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the rated entity.

About the company

Incorporated in 2009, DMD Developers Pvt Ltd (DDPL) is involved in real estate business in Surat, Gujarat. The company is promoted by Mr. Dharmeshbhai Patel, having experience of three decades in the real estate business. The Group has delivered more than 17 million sq ft of real estate projects till date.

DMDPL is a special purpose vehicle (SPV) formed to execute both phases of the RRTM project. As on date, both the phases are constructed. Phase-1 of the project has been fully sold and Phase-2 has sold ~7% of the saleable area as on December 31, 2022.

Key financial indicators

DMDPL	FY2021	FY2022
Operating income (Rs. crore)	77.4	97.0
PAT (Rs. crore)	4.2	5.3
OPBDIT/OI	32.2%	26.6%
PAT/OI	5.4%	5.5%
Total outside liabilities/Tangible net worth (times)	1.5	1.4
Total debt/OPBDIT (times)	8.4	7.9
Interest coverage (times)	1.3	1.4

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)*	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
1	Long-term – Term loan	90.0	91.7	Apr 11, 2023 [ICRA]BB- (Stable)	-	-	-

*as on December 30, 2022

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan-I	FY2018	-	FY2025	55.0	[ICRA]BB- (Stable)
NA	Term loan-II	FY2022	-	FY2025	35.0	[ICRA]BB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 4547 4829

anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Sandhya Negi

+91 20 6606 9925

sandhya.negi@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.