

## Rating Advisory

January 11, 2022 | Mumbai

### Dhanuka Realty Limited

#### Advisory as on January 11, 2022

This rating advisory is provided in relation to the rating of Dhanuka Realty Limited

The key rating sensitivity factors for the rating include:

#### Upwards scenario:

- \*Bookings in excess of 90% by fiscal 2021-end
- \*Healthy cash flows from completion of project

#### Downward scenario:

- \*Bookings below 40% by end of fiscal 2021
- \*Substantial delay in completion of project

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Dhanuka Realty Limited (DRL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, [https://www.crisil.com/content/dam/crisil/criteria\\_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf](https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf))

If DRL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

#### About the company

Formed in 2002 by Mr Girish Dhanuka, the Dhanuka group undertakes residential real estate projects. The group was started with a partnership concern, Dhanuka Colonizer and Builders, which constructed mainly affordable single tower projects. In 2005, the firm was reconstituted as a private limited company, Dhanuka Colonizer and Builders Pvt Ltd (DCBPL). Subsequently, another entity, Sunshine Buildmart Pvt Ltd, was formed in which the stakes were held by DCBPL and Dhanuka family.

In 2008, DCBPL was renamed DRL and two other subsidiaries were formed: TKBPL and DAHPL. All these entities are engaged in residential and commercial real estate construction.

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## Rating Rationale

October 20, 2020 | Mumbai

### Dhanuka Realty Limited

'CRISIL BB/Stable' assigned to bank debt

#### Rating Action

Total Bank Loan Facilities Rated	Rs.11 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has assigned its '**CRISIL BB/Stable**' rating to the long-term bank facilities of Dhanuka Realty Limited (DRL).

The rating reflects the extensive experience of its promoters and established position in the real estate industry in Jaipur (Rajasthan), further supported by moderate bookings and customer advances for ongoing projects. These strengths are partially offset by geographical concentration in revenue and susceptibility to cyclical in the real estate industry.

#### Analytical Approach

To arrive at its rating, CRISIL has combined the business and financial risk profiles of DRL with that of its two 100% subsidiaries, Triveni Kripa Buildhome Pvt Ltd (TKBPL) and Dhanuka Affordable Housing Pvt Ltd (DAHPL). This is because all the three companies have operational and financial fungibility.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

#### Key Rating Drivers & Detailed Description

##### Strengths

\* **Extensive experience of the promoters:** DRL has a strong brand in the Jaipur real estate market and an established track record, supported by the promoters' experience of over 20 years. Business risk profile is also supported by healthy collection backed by track record of timely execution and delivery.

\* **Moderate bookings and customer advances:** Bookings for the company's two ongoing projects have been above average: as of August 2020, more than 30% of the total units currently being developed was booked. Nearly 70% of the construction cost for the ongoing projects was incurred by August 2020. The advance stage of projects execution partly ally project related risks. However if any additional project is undertaken before completion of ongoing ones, the same may limit the financial flexibility and increase the overall project risk.

##### Weaknesses

\* **Geographical concentration in operations:** Entire revenue is derived from Jaipur, which exposes the company's operations to any change in real estate policy in, or demand from, that region.

\* **Exposure to risks and cyclical in the real estate sector:** Cyclical in the real estate sector could result in fluctuations in cash inflow and volatility in sales. In contrast, cash outflow, including debt obligation, is relatively fixed. The residential real estate sector has remained constrained by weak demand and bearish consumer sentiment in the past few years. Demonetisation, Real Estate (Regulation and Development) Act (RERA), Goods and Services Tax (GST) and Covid-19 have also hit demand as buyers adopt a wait-and-watch attitude, and have increased funding challenges for developers. Any decline in demand could adversely impact sales velocity and collections and weaken financial risk profile.

## Liquidity Adequate

Liquidity is adequate, supported by moderate sales and collections in ongoing projects. Liquidity will remain strong over the medium term, backed by expected inflow of customer advances and fund infusion from the promoters in case of any exigency.

## Outlook: Stable

CRISIL believes DRL will continue to benefit from its established presence in Jaipur.

## Rating Sensitivity factors

### **Upward Factors:**

\*Bookings in excess of 90% by fiscal 2021-end

\*Healthy cash flows from completion of project

### **Downward Factors:**

\*Bookings below 40% by end of fiscal 2021

\*Substantial delay in completion of project.

## **About the Company**

Formed in 2002 by Mr Girish Dhanuka, the Dhanuka group undertakes residential real estate projects. The group was started with a partnership concern, Dhanuka Colonizer and Builders, which constructed mainly affordable single tower projects. In 2005, the firm was reconstituted as a private limited company, Dhanuka Colonizer and Builders Pvt Ltd (DCBPL). Subsequently, another entity, Sunshine Buildmart Pvt Ltd, was formed in which the stakes were held by DCBPL and Dhanuka family.

In 2008, DCBPL was renamed DRL and two other subsidiaries were formed: TKBPL and DAHPL. All these entities are engaged in residential and commercial real estate construction.

## Key Financial Indicators (Consolidated)

As on/for the period ended March 31	Unit	2020	2019
Revenue	Rs crore	3.34	15.49
Profit After Tax (PAT)	Rs crore	-1.07	-1.17
PAT Margin	%	-31.94%	-7.58%
Adjusted debt/adjusted networth	Times	1.59	1.47
Interest coverage	Times	0.04	0.14

Any other information: Not applicable

## **Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating

Rationale. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).

## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Rupee Term Loan	NA	NA	Mar-24	7.2	NA	CRISIL BB/Stable
NA	Cash Credit/Overdraft Facility	NA	NA	NA	3.8	NA	CRISIL BB/Stable

## Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Triveni Kripa Buildhome Private Limited	Full	Common Management along with operational and financial linkages
Dhanuka Affordable Housing Private Limited	Full	Common Management along with operational and financial linkages

## Annexure - Rating History for last 3 Years

Current				2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	11.00	CRISIL BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit/ Overdraft facility	3.8	CRISIL BB/Stable	--	0	--
Rupee Term Loan	7.2	CRISIL BB/Stable	--	0	--
Total	11	--	Total	0	--

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Rating criteria for Real Estate Developers](#)

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