

## Mittal Dewellers Private Limited

March 04, 2021

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	60.00	CARE BB- (CWN) (Double B Minus) (Under Credit watch with Negative Implications)	Placed on Credit watch with Negative Implications
<b>Total Facilities</b>	<b>60.00</b> <b>(Rs. Sixty</b> <b>Crete Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Mittal Dewellers Private Limited (MDPL) have been placed on 'Credit Watch with Negative Implications' taking cognizance of the company's application for One Time Restructuring (OTR), of its bank facilities, under the Reserve Bank of India's (RBI) guidelines issued on August 06, 2020. The rating action is in line with CARE's criteria on 'Analytical treatment for one-time restructuring due to Covid-19 related stress' issued on September 29, 2020.

The company has applied for OTR considering the uncertainty of the pandemic on long-term viability of the project due to disproportion in the cash flow generation. CARE will continue to monitor the developments in this regard and will take a view once the terms of the OTR proposal and its implications on MDPL are clear. As confirmed by the lenders, the resolution plan has been approved by the lead bank, however, approval by other two lenders is under process.

The rating assigned to the bank facilities of MDPL continues to remain constrained on account of partial dependence on customer advances for completion of project which is still under construction though the same is at advanced stage of completion and cyclicity associated with the real estate industry. The rating also takes into account slow movement in booking with moderate booking advance.

The rating, however, derives comfort from resourceful promoter group, experienced management team and strategic location of the property.

CARE also takes cognizance of the company availing the moratorium granted by its lenders as a Covid relief measure (as permitted by the Reserve Bank of India) for the period commencing from April 2020 to August 2020 on its bank facilities.

### Rating sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- ✓ Substantial increase in bookings as well as collection from area sold
- ✓ Timely completion of entire construction work as envisaged without any further delay or cost overrun

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- ✗ Non-receipt of collection from area booked on timely basis or delay in collection due to cancellation of bookings
- ✗ Delay in implementation or unfavourable terms under resolution plan leading to pressure on cash flows

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Pending approval of Resolution Plan for one-time restructuring by two of its lenders

The company applied for one-time restructuring on August 12, 2020. Post that, consortium meeting was conducted on December 31, 2020 with all the three lenders wherein invocation of resolution plan was approved by all the lenders. Furthermore, as confirmed by the lenders, within a period of one month from the date of invocation of resolution plan, inter creditor agreement was signed by all the lenders.

As confirmed by the lenders, resolution plan has been approved by the lead bank on January 31, 2021 and approval of the same by other two lenders is under process.

#### Slow movement of bookings with moderate booking advances

The company started construction of commercial project from May 2016. Out of total project cost Rs.139.85 crore, it has incurred Rs.124.21 towards the project up to January, 31, 2021 which has been funded through term loan of Rs.56.21 crore, customer advances of Rs.29.48 crore and remaining through equity share capital and unsecured loans infused by promoters. Further, the company achieved COD on September 26, 2019 as considered by the lenders.

MDPL has reported booking of around 1,00,541 square feet (sq ft) of area up to January 31, 2021 (against 1,49,117 sq ft up to December 31, 2019) which constitutes around 52% of total saleable area of 1,92,798 sq ft of the company. Reduction in the

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

total area booked by 48,576 sq ft is on account of cancellation of booking of shops of 24,952 sq ft and balance 23,624 sq ft is on account of decline in area booked for hotel as the area booked considered at the time of last review included common service area also. As per the management, as common service area cannot be included in area sold under the sale agreement, MDPL has accordingly revised total saleable area under the project. It may be noted that the sales value remained unchanged for the hotel despite decline in area sold.

Saleability risk continues to persist with respect to unsold area due to slowdown in the economy. Further, the company has not received any new booking since December 31, 2019.

The receipt in the form of booking advance stood moderate at around Rs.29.48 crore as on January 31, 2021 (against Rs.11.43 crore as on December 31, 2019) which constitutes around 48% of the value of area booked. Increase in advances received is on account of receipt of advances for hotel as well as multiplex. Timely sale of remaining area along with timely receipt of booking advance would be crucial.

#### ***Partial dependence on customer advances for completion of project***

As the funding pattern of the project reflects dependence on external funds i.e. bank debt and customer advances, timely receipt of the same is crucial for the completion of project. Bank debt and customer advances jointly constitute around 57% of entire project cost. The company has received disbursement of term loan of Rs.56.21 crore and as the company has achieved COD, there would be no further disbursement. Furthermore, it has received customer advances of Rs.29.48 crore up to January 31, 2021. Timely receipt of bookings as well as customer advances would be crucial for timely completion of remaining work as well as meeting its debt obligations going forward.

#### ***Impact of COVID-19***

MDPL had shut down its operations effective from March 22, 2020 in view of the country-wide lockdown announced by the government to combat Covid-19 pandemic. The mall is in containment zone of Ajmer, Rajasthan and thus resumption of operations only began in second week of September 2020. Moreover, post resumption of operations, company faced issues with respect to labor availability and availability of material for construction. This further impacted its operations in the current year. As articulated by the management, normalcy in the operations was achieved after November 2020. This affected the construction work of the company for substantial period and has also impacted expected bookings in the current year.

Moreover, the company has availed moratorium for interest and principal repayment on its term loan from all its lenders, for the period commencing from April, 2020 till August, 2020. Further, the repayment for the term loan is on quarterly basis and first installment was due in June, 2020 for which the company availed moratorium from its lenders.

#### ***Cyclical in real estate sector***

The real estate sector in India is highly fragmented with most of the real estate developers having a city-specific or region-specific presence. Real estate investments worldwide have been driven by one or several themes based on the economic growth. The major drive in India is expected to come from housing, organized retailing, hospitality etc. The risks associated with real estate industry are - cyclical nature of business, interest rate risk etc. The sector is facing issues on various fronts viz. subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals etc. thereby resulting in stress on cash flows.

Further, the Government of India (GoI) along has taken several initiatives to encourage the development in the sector. The real estate sector has undergone a revolutionary transformation with the onset of Goods and Services Tax (GST) and the Real Estate Regulation Act (RERA), both of which are expected to be significant game changers. Further, the recent changes in the interest rates by Reserve Bank of India (RBI), attributed to higher purchasing power of the buyers and investors have left positive impact on the real estate sector.

#### ***Liquidity position: Stretched***

The liquidity position of the company remained stretched on account of receipt of moderate booking advances and pending project cost to be incurred due to pending construction activities at the site. Further, the debt repayments have also commenced post achievement of COD for the project. It has moderate cash and bank balance of Rs.1.04 crore as on January 31, 2021. The company has availed moratorium for interest and principal repayment on its term loan from all its lenders, for the period commencing from April, 2020 till August, 2020. On August 12, 2020, the company applied for OTR under the RBI's guidelines issued on August 06, 2020. Thus, the repayment obligations of the company for projected years will depend on the approval and terms of the proposed OTR.

#### ***Key rating strengths***

##### ***Resourceful promoter group; albeit relatively low experience in real estate industry with experienced management team***

The board of directors of MDPL includes Mr Manoj Mittal, whole time director, who is a chartered accountant by qualification with total experience of 33 years, Mr Sunil Kumar Mittal, LLB by qualification with total experience of around 38

years across varied businesses; and Dr Dilip Mittal, an MBBS & DCH by qualification with experience of 33 years as a practicing doctor. The promoters of MDPL have relatively lower experience in real estate industry as the group in past has executed few projects. However, the said risk is mitigated on account of association of sound management team. The promoter group is financially resourceful which is indicated by extent of promoter contribution in total project cost.

#### **Strategic location of the property**

The proposed commercial mall is strategically located at Prithviraj marg, Ajmer which is one of the prime locations of the city with tourist destinations like Dargah Sharif and Pushkar located in vicinity. The neighbouring area is the prime shopping and entertainment location in the city and the proposed mall will be a preferred destination for shopping, entertainment and food resulting in high demand.

#### **Analytical Approach-Standalone**

#### **Applicable Criteria:**

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[Analytical Treatment of Restructuring - COVID](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Real Estate Sector](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

#### **About the Company**

Ajmer-based (Rajasthan) MDPL was incorporated in December, 1993 by Dr Shakuntala Mittal and Mr Sunil Kumar Mittal with an objective to carry out real estate business. The construction of commercial project commenced in May 2016. The proposed mall will have 13 floors comprising of 7 upper-floors, 1 lower ground floor, 1 ground floor, 1 Service Floor and 3 basements floors for parking space. The shopping cum amusement mall is proposed on prithviraj marg, Imperial road, Ajmer which is one of the prime locations of Ajmer.

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19(A)</b>
Total operating income	-*	-*
PBILD	-*	-*
PAT	-*	-*
Overall gearing (times)	-*	-*
Interest coverage (times)	-*	-*

A-Audited; -\*: Project phase

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### **Annexure-1: Details of Instruments/Facilities**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT-Term Loan	-	-	Sept,2021	60.00	CARE BB- (CWN)

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	60.00	CARE BB-(CWN)	-	1)CARE BB-; Negative (27-Mar-20) 2)CARE BB-; Stable (03-Apr-19)	-	1)CARE BB-; Stable (23-Mar-18)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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