

DSR Infra Projects

April 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	150.93 (Enhanced from 62.00)	CARE BB+; Stable	Revised from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of DSR Infra Projects consider significant construction progress in ongoing projects and improvement in sales velocity. The rating continues to derive strength from satisfactory execution track record of the DSR group, timely support from promoters, low reliance on debt and favourable location of the projects. It is imperative for firm to maintain improved sales and collections as witnessed in recent months as project execution is majorly dependent on timely receipt of customer advances. These rating strengths are partially offset by relatively high level of unsold inventory in the ongoing projects, sizeable upcoming projects in pipeline, high concentration risk as all projects are located in Bengaluru and exposure to inherent cyclical in real-estate industry.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Completion of construction under RR Avenues, Vertex and Apex, Parkway in next 12 months
- Achieve sales of more than 85% in DSR Parkway, Vertex and apex and more than 50% sales in RR Avenues and in Highland Greenz with overall inventory levels below 45% in next 12 months

Negative factors

- Delay in project execution or slowdown in sales velocity leading to unsold inventory beyond 4 years.
- Cost overruns or unforeseen delays in the completion of the project.

Analytical approach: Combined

CARE has taken a combined view on DSR Infra Projects with its associate company DSR Infrastructure Private limited, while assigning the credit ratings, given the common promoters/partners and the significant operational and financial linkages between them. DSR Infrastructure Private Limited has given corporate guarantee to secure bank facilities of DSR Infra Projects.

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation of firm being able to maintain satisfactory construction progress and sales velocity aided by its brand recall in the micro-market it operates.

Key weaknesses

High level of unsold inventory in the on-going projects

Total area booked continues to be low at 34% among ongoing projects. These projects are primarily launched in past 2-3 years and have been impacted by Covid in early year of launch. Further, promoters also have philosophy to keep half of the inventory till project completion. The group undertakes majority sales after receipt of Occupancy certificate (OC) to command a better pricing in the market. However, there has been increase in sales of Elixir and Parkway projects which is nearing completion. As of December 31, 2022, ~79% of total units launched for sale remained unsold which improved to ~61% in February 2023. There were healthy sales and collections from the projects -DSR Vertex & Apex, DSR Parkway and DSR Elixir. Further, DSR RR Avenues which had lower sales till December 2022, has also seen increase in booking and sales in recent months.

Significant dependence on customer advances for completion of the project

DSR Group majorly relies on customer advances for its project execution. Around 61% of the project cost is funded through customer advance, therefore it is necessary for group to maintain reasonable collection trend. However, promoters have been supportive and brought in funds in past to ensure construction progress in case required due to lower collections. The promoter's funds have primarily come from profits generated from earlier projects.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Sizeable upcoming projects in pipeline

DSR group has pipelines for new project launch in residential segment under DSR Infra Projects and DSR Infrastructure Private Limited in medium term, which will expose the group to inherent marketing, execution, and funding risk. Considering the sizeable launches planned in the residential space in next 9 to 12 months, the timely execution of projects within budgeted cost as well as timely sale of the property would be a key rating monitorable.

High concentration in Bengaluru residential market and exposure to inherent cyclicity in real-estate industry

DSR's business is significantly dependent on the performance of the real-estate market, primarily in Bengaluru, where its entire ongoing and upcoming projects are located. Being a cyclical industry, real estate depends on macro-economic factors and the company's dependence on a particular geography further heightens such risk.

Key strengths**Significant construction progress in ongoing projects**

The group has witnessed significant progress in its ongoing projects. Out of five ongoing projects, DSR Elixir is completed and other three projects are near to completion. The group has recently launched new project named DSR Highland Greenz which has also seen good construction progress with around 20% construction cost incurred as on December 31, 2022. All the projects are expected to be completed as per RERA timelines.

Established Track record of the promoters and satisfactory execution track record of the group.

The DSR Group has a long track record of around three decades in the real-estate development in Bangalore, Hyderabad, and Chennai. The Group has completed several residential and commercial projects, encompassing 6.0 msf of constructed area, which reflect its strong project-execution capabilities. Further, the group has significant freehold land bank in its possession for planning future projects, which it can also utilize to raise funds if required.

The promoters have a satisfactory track record of executing residential real estate projects in Bengaluru for more than a decade. In the recent time the group has completed nearly 9 projects with saleable area of nearly 23.0 lsf. The group is currently developing apartment projects in Bengaluru with total saleable area of 23.81 lsf. The group has 6 upcoming projects with total saleable area of ~16 lsf under DSR infra project and DSR Infrastructure Private Limited in both residential and commercial space (2.17 lsf). The company generally enters into Joint Development Agreement with the landowner for the construction of the projects.

Support from promoter and related parties and Lower reliance on debt

The ongoing projects of the DSR Group has low reliance on debt and debt as the group mainly relies on the customer advances and promoter funds. On group level basis, debt forms 25-30% of total project cost. Promoters and related parties of the group have infused funds in the form of unsecured loans in past whenever necessary to complete the projects in case of any liquidity issue and same is expected to continue in near future in case of any cash crunch or liquidity issue.

Favourable location of the projects

The newly added project DSR Highland Greenz is located at Sarjapur road, which is one of the prime locations in Bangalore in view of high number of IT employee residing in this locality. DSR Vertex and Apex is in Thubarahalli which has presence of several residential projects like Arvind Belair, Vasawani Menlo park, Divya shree republic of Whitefield, Shoba Dream, Durga Petals Godrej air. The location has good connectivity with the bus station and the project is near to 5 hospitals and 4 schools in the similar areas and is well connected with bus stations. DSR RR Avenues is in Yelahanka that has presence of several residential projects like Purva Venezia, Unitech Heritage estate, Godrej Avenue, Prestige Royal Gardens, Ramky One North. The location has good connectivity with the airport and the IT corridor along the outer ring road.

Liquidity: Stretched

Construction funding is largely dependent upon customer advances and the sales velocity of projects have seen an improvement, but it has been relatively low. Nevertheless, as demonstrated in past, promoters have infused funds in the project at time of requirement ensuring timely construction of projects and debt repayments. DSR group has cash and bank balances to the tune of Rs 18.86 crores as of February 2023 and undrawn bank lines of Rs 102 Cr as of March 2023. Further, the group has customer advances receivables of Rs 125.78 crore as on December 31, 2022

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology for Real estate sector](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

DSR group of companies, is a real-estate developer based out of Hyderabad with a track record of about 16 years of property development. The group undertakes projects largely in Joint Development Agreement (JDA) mode. The group primarily operates through two entities, DSR Infra Projects and DSR Infrastructure Private Limited.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	139.67	209.17
PBILDT	25.83	35.21
PAT	9.34	14.82
Overall gearing (times)	0.74	0.91
Interest coverage (times)	2.54	3.29

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	November 2025	150.93	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	150.93	CARE BB+; Stable	-	1)CARE BB; Stable (25-Jan-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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