

De Blueoak and P Mangatram Properties LLP (Revised)

September 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	150.00 (Reduced from 240.00)	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings to the bank facilities of De BlueOak and P Mangatram LLP (DBPM) is due to presence of construction risk because of nascent stage of construction, moderate experience of promoters in real estate business, higher dependency on customer advances, highly competitive and regulated real estate market, susceptibility of the real estate market to economic cycles and partnership nature of constitution with risk of withdrawal of capital. However, rating derives strength from experienced promoter group with diversified business profile, favourable location of upcoming luxury residential project, reputed project management consultant and contractor, and adequate liquidity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained inflow of customer advances and progress of construction ahead of schedule.
- Achievement of better than estimated sales on a sustainable basis.

Negative factors

- Delay in project execution or slowdown in sales velocity leading to an increase in unsold inventory.
- Any large debt-funded capex impacting the liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the favourable location of project, experience of the promoters and reputed consultant and contractor

Detailed description of the key rating drivers:

Key weaknesses

Construction risk with nascent stage of project: DBPM has undertaken a project to develop a luxury residential apartments in Kokapet in western zone of Hyderabad. The project viz., The Trilight is currently in the construction phase with total cost incurred till June 30, 2024 at around Rs.291.20 crores i.e., 26.17% of total project cost. The project envisages developing around 21.39 lakh square feet (sft) built up area on land measuring around 4.23 acres. The project is being jointly developed with 1.1-acre land availed from Malve Family of Hyderabad while the remaining area is owned by partners of DBPM.

Funding Risk with high dependence on customer advance: The project is currently in the construction phase. Total cost of project is estimated to be over Rs. 1,100 crore which is proposed to be funded by infusion from promoters of Rs.123.50 crore, construction funding loan from Kotak Mahindra Bank of Rs.150.00 crore and balance from sales receipts. The project has seen a satisfactory booking of 193 units as on June 30, 2024 and Rs.250 crore were received as against sale of units worth Rs.857 crore. However, considering nascent stage of the project collection of further advances from the customer shall be critical and any delay in receipt shall result in delay in the construction

Highly competitive and regulated real estate market: Any real estate project must obtain various permissions, government approvals such as mutation certificates, Building plan approval, No objection certificate from Fire and Emergency services department, water supply and sewage collection from municipal corporation, power supply agreement with Discoms. With Real Estate Regulation Act coming into force, the cost for developers is expected to increase as sales can only happen post registration with Real Estate Regulatory Authority, which is possible only after project receives requisite approvals from various government departments. DBPM has obtained requisite approvals from the authority and has registered the project on TS RERA. Further, the real estate market in Telangana is dominated by big real estate developers along with large number of unorganized players in the industry resulting in high competition among industry players.

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

Partnership nature of constitution with risk of withdrawal of capital: The firm being a partnership firm is exposed to inherent risk of capital withdrawal by partners due to its nature of constitution. Any substantial withdrawals from capital account would impact the net worth and thereby the gearing levels.

Susceptibility of the real estate market to economic cycles: Real estate sector is highly susceptible to economic cycles. The health of an economy in terms of GDP, availability of employment, manufacturing activity, prices of goods, etc. affects the value of real estate in such a way that when the economy is sluggish, the real estate sector is affected in a similar way.

Key strengths

Established promoters with diversified businesses. However, moderate experience in real estate business: DBPM is promoted by Jakkireddy Sanjeeva Reddy and Jakkireddy Subhaskara Reddy of Suvarna Durga Group and Sanjay Gulbani and Amit Gulbani of P Mangatram Group. Suvarna Durga Group (SDG) is into businesses of construction & development, bottles recycling, agro products supply chain & Kraft paper manufacturing. SDG is a promoter in Srestha Constructions, The BlueOak Constructions, Suvarna Durga Properties and Suvarna Durga Constructions. SDG specializes in high street retail, Grade A office spaces, commercial and high-end residential construction and development. The construction and development business was started in 2011. The SDG group has completed 5 project (5.27 lsft).

P Mangatram Group (PMG) is into gold jewellery manufacturing business for 15 years and has carved a niche for itself in the luxury jewellery making and stands as one of the top manufacturers of Gold Jewellery in the states of Andhra Pradesh & Telangana. The company has developed 1.28 lakh sft and more than 3 million sft area is under development.

Reputed Project management consultant and contractor: The project is being executed by Tata Projects Limited and the contract for construction is executed by JMC Projects (India) Ltd (Amalgamated with Kalpataru Power Transmission Limited).

Upcoming luxury residential area: The project is located in Golden Mile Layout of Kokapet which is in the western part of the Hyderabad and is under the jurisdiction of Hyderabad Metropolitan Development Authority (HMDA). The locality is considered to be an active residential hub, also comprising of upcoming commercial & hospitality developments. Additionally, with scarcity of land parcels in West Hyderabad & with a positive outlook towards the commercial office market segment at Hyderabad, spillover of demand from the Financial District has led to organic expansion of real estate activity in the influence zone (i.e., micro markets of Kokapet, Khajaguda, Manikonda, Puppalaguda, Narsingi, Gandipet).

Liquidity: Adequate

Adequate liquidity of the DBPM is characterised by customer advances received as against the sales is to the tune of Rs.250 crore as on June 30, 2024, whereas the construction cost incurred is around Rs.230 crore. As of March 31, 2024 the firm had unencumbered cash balance of Rs.76.96 crore and Rs.607 crore committed receivables for balance construction cost as on June 30, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Nonfinancial Sector](#)

[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

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

DE BlueOak & P Mangatram Properties LLP (DBPM) was established in the year 2021 and is a real estate development company formed as a partnership between DE BlueOak (Suvarnadurga Group Company) & P Mangatram Properties Ltd. Suvarnadurga Group (SDG) was established in the year 1978 and the group is into businesses of construction & development, bottles recycling, agro products supply chain & Kraft paper manufacturing. The construction and development business were started in 2011. P Mangatram Group (PMG) started as gold jewellery manufacturing business 15 years ago and has carved a niche for itself in the luxury jewellery making and stands as one of the top manufacturers of Gold Jewellery in the states of Andhra Pradesh & Telangana.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	0.00	0.00	0.00
PBILDT	0.01	0.21	2.81
PAT	0.01	0.04	0.33
Overall gearing (times)	30.64	2.64	8.04
Interest coverage (times)	64.10	8.43	1.39

A: Audited UA: Unaudited; 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 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: 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		-	-	31-03-2028	150.00	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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	150.00	CARE BB; Stable	-	1)CARE BB; Stable (07-Aug-23) 2)CARE BB; Stable (16-May-23)	-	-

LT: Long term

Annexure-3: Detailed explanation of 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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91 22 6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: +91 22 6754 3404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Karthik Raj K Director CARE Ratings Limited Phone: +91 80 4662 5555 E-mail: karthik.raj@careedge.in</p> <p>Niraj Thorat Assistant Director CARE Ratings Limited Phone: +91 40 4010 2030 E-mail: Niraj.Thorat@careedge.in</p> <p>Sriram Gurujala Goud Lead Analyst CARE Ratings Limited E-mail: Sriram.Goud@careedge.in</p>
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About us:

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