

Mittal Dewellers Private Limited

March 21, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB-; Stable (Double B Minus; Outlook: Stable) and removed from Under Credit watch with Negative Implications; Stable outlook assigned and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings has resolved the credit watch with negative implications earlier assigned to the rating of Mittal Dewellers Private Limited (MDPL), upon approval of resolution plan by other two lenders.

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB-; Stable' [Double B Minus; Outlook: Stable] assigned to the bank facilities of MDPL with immediate effect. The above action has been taken at the request of MDPL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

The rating reaffirmation 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.

Detailed description of the key rating drivers

Key Rating Weaknesses

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

The company had 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 by other two lenders namely IFCI Ltd., and IFCI Venture Capital Funds Ltd., on June 10, 2021.

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.133.00 crore towards the project upto February 28, 2022 which has been funded through term loan of Rs.56.21 crore, customer advances of Rs.36.00 crore and remaining through equity share capital and unsecured loans infused by promoters. Owing to disruption caused by covid-19 pandemic, the company received extension of 12 months from RERA under force majeure clause and the validity of RERA registration has been accordingly extended. The company maintains to complete finishing work (excluding interior work) by October 2022 the said revised date.

MDPL has reported booking of around 1,49,117 square feet (sq ft) of area up to February 28, 2022 which constitutes around 57% of total saleable area of 2,58,783 sq ft of the The management is in process of leasing afore said area to one of the Reliance Group of company by accepting two months rents as security deposit along with revenue sharing model for the Mall.

Saleability risk continues to persist with respect to unsold area due to slowdown in the economy

The receipt in the form of booking advance stood moderate at around Rs.36.00 crore as on February 28, 2022 (against Rs.29.48 crore as on January 31, 2021) which constitutes around 56% 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 61% of entire project cost. The company has received disbursement of entire term loan of Rs.56.21 crore and as the company has achieved COD, there would be no further disbursement. Furthermore, the company has already started repayment of term loan instalments and the latest outstanding is around Rs.45.23 crore as on March 31, 2022 (out of total disbursed amount of Rs.48.74 crore). Furthermore, it has received customer advances of Rs.36.00 crore up to February 28, 2022. 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.

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

Cyclicality 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.

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.

Liquidity: Stretched

The liquidity 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. The company has term loan outstanding is around Rs.45.23 crore as on March 03, 2022 (as against disbursed term loan of Rs.48.74 crore). It has moderate cash and bank balance of Rs.1.22 crore as on March 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 and the same has been approved by the lenders namely State Bank of India on January 31, 2021 and by other two lenders namely IFCI Ltd., and IFCI Venture Capital Funds Ltd., as on June 10, 2021. All the EMI of the term loans have been repaid in timely manner.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

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

[CARE's default recognition policy](#)

[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.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	0.58	0.19	NA
PBILD	5.62	11.63	NA
PAT	0.12	0.01	NA
Overall gearing (times)	3.53	3.34	NA
Interest coverage (times)	1.03	1.00	NA

A: Audited; NA: Not available

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

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

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

Complexity level of various facilities rated for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Facilities	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2026	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB-(CWN) (06-Apr-21)	1)CARE BB-(CWN) (04-Mar-21)	1)CARE BB-; Negative (27-Mar-20) 2)CARE BB-; Stable (03-Apr-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities – Not applicable

Annexure 4: Complexity level of various facilities rated for this company

Sr. No	Name of facilities	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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