
August 16, 2010

CARE ASSIGNS 'CARE A-' RATING TO THE PROPOSED NCD ISSUE OF DB REALTY LTD

Rating Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Non-convertible Debenture (NCD) issue	500.00	'CARE A-' (A Minus)	Assigned

Rating Rationale

The rating derives strength from the promoters' experience in the real estate business, considerable progress in the construction of the ongoing projects, low gearing levels, substantial presence in high margin Transfer Development Rights (TDR) generation projects, low exposure to the commercial as well as retail segment which are yet to fully recover from the downturn and enhanced liquidity consequent to Initial Public Offering (IPO). The rating also factors in the benefit of availability of low cost land, the tie-up of the entire debt for the ongoing projects, healthy booking status and advances received in respect of the ongoing projects.

The rating is however constrained by DBRL's substantial exposure to fluctuation in TDR prices, presence in the high-end housing segment exposing it to economic slowdowns, extension of substantial corporate guarantees to subsidiaries/group companies and considerable planned projects given that the company is yet to complete any project under its banner. Further, the rating is also constrained by geographical concentration risk with the company's projects mainly in Mumbai, high competition and the inherent cyclical nature of the industry.

The ability of the company to execute projects on time and achieve realizations as envisaged remains the key rating sensitivity.

Company Profile

Incorporated in January 8, 2007, DBRL is involved in developing and selling mainly residential real estate projects, and in redevelopment/slum rehabilitation projects. DBRL belongs to Dynamix Balwas Group (DB Group), a Mumbai-based conglomerate whose business interests span real estate development, hospitality, granite and marble and jewellery.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Currently, the company has ten ongoing projects with a saleable area of 18.67 msf with a Slum Rehabilitation Authority (SRA) project at Mahul Nagar, Chembur, being the largest one.

During FY10, DBRL earned a PAT of Rs.271.17 crore on a total operating income of Rs.951.21 crore. It successfully raised Rs.1500 crore through an IPO in FY10, considerably improving its liquidity and capital structure.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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