



## D S Kulkarni Developers Limited

Instrument	Amount	Rating Action (Oct-12)
Term Loans	Reduced from Rs. 77.89 crore to Rs. 53.98 crore	[ICRA]BB reaffirmed
Fund based	Rs. 5.21 crore	[ICRA]BB reaffirmed
Fund based	Rs. 5.00 crore	[ICRA]A4 reaffirmed

ICRA has reaffirmed the long term rating outstanding on Rs. 53.98 crore<sup>1</sup> (reduced from Rs. 77.89 crore) term loans and Rs. 5.21 crore Fund Based bank facilities of D S Kulkarni Developers Limited (DSKDL)<sup>†</sup> at [ICRA]BB (pronounced ICRA double B). The outlook on the long-term rating is Stable. ICRA has also reaffirmed the [ICRA]A4 rating outstanding on the Rs. 5.00 crore fund based bank facilities at [ICRA]A4 (pronounced ICRA A four)

The reaffirmation of the rating takes into account the group's established track record in the residential real estate market in Pune with demonstrated ability to pre-sell the project in the construction phase and the company's large land bank in Pune which provides significant future development potential. The rating also takes into account the healthy inventory of finished tenements with the company, the monetization of which is expected to help support the company's cash flows going forward.

While reaffirming the rating ICRA has taken cognizance of the large scale township project on its 236 acre plot at Fursungi, Pune. While the land parcel has been completely paid for, the upfront investment requirement for the project (for the one-time initial costs) is expected to be significant which would lead to increase in borrowings in the near term. The rating takes into account the weakening of the financial profile on a consolidated basis primarily owing to the loss making operations of a subsidiary company coupled with the large scale debt funded capital expenditure incurred by it. While the company's capital structure remains healthy on a stand-alone basis (gearing of 0.74X as on March 31, 2012) the substantial support provided to group companies in terms of loans & advances as well as corporate guarantees limits the financial flexibility available with the company. ICRA notes that with DSKDL being the flagship entity of the group, any further support provided by it towards other group ventures can have an adverse impact on the company's liquidity position. The rating continues to take into account the susceptibility of DSKDL's operations to cyclicalities inherent in the real estate sector, and the concentration of its projects predominantly in Pune real estate market exposing it to single market risk.

### Company Profile

Pune based DSKDL is the flagship company of the D S Kulkarni Group (group) which has been in the business of real estate development for over two decades. The company was set up in 1991 and raised equity through an initial public offer (IPO) in 1993. The company made a secondary public offering and a rights issue of 5.5 million shares each in June 2006 and mobilized Rs. 211 crores. DSKDL's operations are largely restricted to the Pune region where it has a well established track record. The group has a few projects in Mumbai and Bengaluru in India and New Jersey in United States. Till date, the company has handed over more than 18,000 apartments aggregating to over 15 msf in area. Apart from 9 ongoing residential projects, DSKDL has a significant land bank in Pune which includes a 180 acre land parcel in Fursungi where the company plans to develop a residential township.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup>For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



For the financial year ending March 2012, DSKDL reported an operating income of Rs. 184.17 crore and a net profit of Rs. 17.34 crore on a stand-alone basis as compared to revenues of Rs. 191.48 crore and net profit of Rs. 16.67 crore in the previous year.

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