

**Krishna Enterprises Private Limited**  
**August 10, 2022**

**Rating**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Non Convertible Debentures	21.00	CARE C; ISSUER NOT COOPERATING* (Single C ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Long Term Instruments</b>	<b>21.00 (₹ Twenty-One Crore Only)</b>		

Details of instruments/facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

CARE Ratings Ltd. had, vide its press release dated August 16, 2021, placed the rating(s) of Krishna Enterprises Private Limited (KEPL) under the 'issuer non-cooperating' category as KEPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. KEPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated August 03, 2022, August 04, 2022 and August 05, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

**Detailed description of the key rating drivers**

At the time of last rating on August 16, 2021, the following were the rating strengths and weaknesses.

**Key Rating Weaknesses****Project execution and funding risk**

Company is developing 1 tower in Mumbai. Total 160 commercial units and 7 retail units will be developed over total saleable area of 296,000 sq. ft. As on March 12, 2020, company has purchased land however the construction is yet to commence. Therefore, the completion of the construction work in timely manner needs to be seen. The total cost of the project is Rs. 241.65 crore and till March, 2020, the total expenditure of Rs.42.99 crore (18% of the total project cost) was incurred which was funded through contribution from promoters of Rs.21.99 crore and optionally convertible debenture of Rs.21.00 crore. Moreover, going forward, for the balance cost of the project amounting to Rs.198.66 crore, the company is dependent on promoters' balance contribution of Rs. 31.90 crore and balance of Rs. 166.76 crore through customer advances. Therefore, going forward timely arrangement of the above funds to complete the project without any cost and time overrun coupled with receiving of the commencement certificate and occupation certificate would be critical from the credit perspective.

**Marketing risk**

KEPL is expecting an average rate of Rs. 17,087 per sq. ft. which is reasonable considering the prices prevailing of new projects in the nearby area. Company has not yet sold any unit and received advances.

Therefore, going forward the timely monetization from saleable area would be critical which is highly dependent on the successful sale and customer advances to be received from the booked units. Thus, any delay in the receipt of funds from customers, ability to achieve timely sales at envisaged rates given competition from other players in the surrounding vicinity will be crucial. However, the marketing risk is mitigated to a certain extent on account of prime location of the project undertaken as well as past experience of the promoters to undertake such projects.

**Cyclical nature of the real estate industry**

The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The expectations of many developers have been able to hold on to the prices so far. However, given the considerable inventory levels which direction the price graph goes remains to be seen.

**Liquidity position: Stretched**

The liquidity position of the company remained stretched marked by inadequate accruals vis-à-vis repayment obligations and company is paying its dues by way of unsecured loans from promoters and related parties.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Key rating strengths

#### Experienced promoters and presence in established group in real estate industry

Directors Mr. Priyal Patel and Mr. Pratik Patel have more than a decade of experience in the real estate industry. Further, the company is part of group Rajesh Lifespaces which has established presence in the real estate industry over five decades. Group has developed several projects over 9.1 million sq. ft. of land in Mumbai over the years.

#### Location advantage

KEPL's project is located in Vikhroli, Mumbai, being well established location and is well connected through railways and roadways with proximity to other day to day necessities. Nonetheless, its ability to monetize in timely manner amidst the cyclical nature of industry and avoid cash flow mismatches shall be critical from credit perspective.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Rating methodology for Real estate sector](#)

#### About the Company

Krishna Enterprises Private Limited (KEPL) was incorporated in 2010 by Patel family as a private limited company and is currently managed by directors, Mr. Priyal Patel and Mr. Pratik Patel, engaged in real estate development.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	FY22 (A)	Q1FY23 (UA)
Total operating income	0.17	0.00	NA	NA
PBILDT	-0.01	-35.21	NA	NA
PAT	-6.31	-0.18	NA	NA
Overall gearing (times)	NM	NM	NA	NA
Interest coverage (times)	NM	NM	NA	NA

A: Audited, UA: Unaudited, NM: Not meaningful, NA: Not 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 covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### 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
Debentures-Non Convertible Debentures (Proposed)	-	June 30, 2021	12% p.a.	September 2024	21.00	CARE C; ISSUER NOT COOPERATING*

**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	Debentures-Non Convertible Debentures (Proposed)	LT	21.00	CARE C; ISSUER NOT COOPERATING *	-	1)CARE C; ISSUER NOT COOPERATING * (16-Aug-21) 2)CARE C (11-Jun-21) 3)CARE B-; Stable (01-Apr-21)	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not available****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	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 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

### Media Contact

Name: Mradul Mishra  
Contact no.: +91-22-6754 3573  
Email ID: mradul.mishra@careedge.in

### Analyst Contact

Name: Ruchi Sanghavi  
Contact no.: 9820921375  
Email ID: ruchi.shroff@careedge.in

### Relationship Contact

Name: Saikat Roy  
Contact no.: +91-98209 98779  
Email ID: saikat.roy@careedge.in

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

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.

### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**