

Jahan Developers

April 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	51.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Jahan Developers (JD) remains constrained owing to nascent stage of on-going residential real estate project- 'Kelly La Maison'. The rating also takes into consideration saleability risk due to low booking status of the project, partnership nature of constitution as well as JD's presence in cyclical and highly fragmented real estate industry. Furthermore, rating also takes the note of dependency on the customer advances for the funding of the project which may result into liquidity mismatches in case of non-receipt or delay in the receipt of the same.

The above rating however derives strength from experienced promoters, established track record of the group in successful execution of residential and commercial projects, location advantage as well as moderate funding risk owing to achievement of financial closure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Healthy response from the customers and higher collection efficiency in terms of advance received as against booking done.
- Satisfactory project progress of the ongoing real estate project within envisaged cost and time parameters.

Negative factors

- Any cost overrun in the completion of the project.
- Delay in project execution and decline in sales velocity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that JD will derive benefit from the experience of the promoters in the real estate industry and completion of the ongoing project is expected within the estimated time and cost parameters, with the timely receipt of funds from customers.

Detailed description of the key rating drivers:

Key weaknesses

Nascent stage of on-going project

JD is developing residential real estate project in the name of "Kelly La Maison" involving construction of 7 towers with a total 409 units comprising of 217- 3BHK flats and 192 – 2 BHK flats in the city of Surat, Gujarat. The construction of the building commenced in May 2023, and is envisaged to be completed by December 2029. The total project cost is expected at ~₹102 crore with project gearing of 1.46 times. Till March 26, 2024, JD has incurred cost of ₹38.84 crore forming ~38% of total project cost. Thereby, with 62% of costs yet to be incurred, there exist project implementation risk.

Saleability risk owing to low booking status and timely receipt of advances

Till March 26, 2024, the booking status remained low marked by 58 units out of total 409 units booked. Further, firm's reliance on customer advances for funding the project remains moderate at ~18%. Hence, timely receipt of advances with maintaining sales booking momentum remains crucial. However, the project work is not envisaged to be hampered as promoters have already infused larger portion of their contribution and the firm has achieved the financial closure.

Partnership nature of constitution

JD being a partnership firm is exposed to inherent risk of the partners' capital being withdrawn at the time of contingency and also limits the ability to raise the capital. The partners may withdraw capital from the business as when it is required, which may put pressure on the capital structure of the firm.

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

Presence in a cyclical and highly fragmented real estate industry

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. With elevated interest rates, the real estate sector has witnessed slowdown in the last two fiscals. Most of the buyers have postponed their purchase decisions due to higher interest rates. Further, the real estate sector in India is highly fragmented with many regional players, who have significant presence in their respective local markets which in turn leads to intense competition within the industry.

Key strengths

Experienced promoters and established track record of the group in real estate industry

JD is a part of Kelly Group based out of Surat, Gujarat. The group has successfully executed 6 other residential and commercial schemes in Surat city and nearby areas with a total area of ~31.20 lac square feet. The key partner of JD, Mr. Sanjay Virani holds experience of around two decades into the business of real estate and have successfully executed construction of many residential and commercial projects at different areas of Surat- Gujarat. Since 2004, he was involved in execution of many prestigious residential and commercial projects in Surat. Another partner, Mr. Piyush Zadafiya holds experience of 5 years in construction/development of real estate projects. He is looking after day-to-day construction activity, material procurement and other administrative activities.

Location Advantage

The project site of on-going project is located in the area of Vanakala- Surat which is one of the developing areas and located within the municipal limits of the city Surat. It is also close to major road connections like Hazira-Sayan Road, Surat Railway Station, Surat International Airport, Textile market, Olpad GIDC etc. Given that the project is situated in a thriving locality, it's likely to receive overwhelming response from the average income segment.

Moderate funding risk due to achievement of financial closure for the project

Out of the total project cost, 50% cost is expected to be funded through debt, for which the financial closure is already achieved. Further, ~23% of the project is to be funded through promoter's contribution of which the promoters have already infused ₹15.02 crore till March 26, 2024. With large portion of promoter's funds already infused and debt tie up already done for the project cost, the overall risk remains moderate.

Liquidity: Stretched

The liquidity profile of JD remains stretched marked by nascent stage of construction and moderate bookings as on March 26, 2024. The committed receivable from sold inventory remains at ₹12.77 crore, forming around 10% of total pending construction cost and outstanding debt. However, undrawn bank loan of ₹42.61 crore as on February 29, 2024 is expected to provide cushion to its liquidity position during the construction phase.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial 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

Jahan Developers (JD) a part of Kelly Group- Surat is a partnership firm formed in October-2017 by Mr. Sanjay Virani and Mr. Jignesh Patel to construct residential real estate project. Later, in February-2023 Mr. Jignesh Patel retired and Mr. Piyush Zadafiya is admitted as a partner. Promoted by Mr. Sanjay Virani, JD is currently executing an affordable residential real estate project - 'Kelly La Maison' involving construction of 7 towers consists of 14 floors and 2 basements with a total 409 units comprising of 217- 3BHK flats and 192 – 2 BHK flats in the city of Surat, Gujarat. The total expected project cost remained at ₹102.47 crore covering total saleable area of 5,65,631 square feet offering amenities such as play area, garden, gym etc.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	July 2029	51.00	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	51.00	CARE BB-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short 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.

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