

Kedia Real Estate LLP

July 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.38	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Kedia Real Estate LLP (KREL) to monitor the rating(s) vide e-mail communications dated June 28, 2024, June 12, 2024, May 27, 2024, April 29, 2024, April 23, 2024, April 08, 2024 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings.

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. The rating on KREL's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING***.

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

The rating has been revised on account of non-availability of the requisite information to conduct the rating review. CARE Ratings also takes cognisance of material deviation between the audited vis-à-vis provisional financial statements for the year ended on March 31, 2023, considered at the time of assigning initial rating.

The rating assigned to the bank facilities of KREL remains constrained on account of high dependence on customer advances for its Sezasthan project along with geographical concentration of its operations. The rating also takes cognizance of erosion of networth base with withdrawal of capital infused by the partners, inherent cyclicity associated with real estate sector and its constitution as a limited liability partnership firm.

The above ratings, however, continues to derive strength from its resourceful promoters with vast experience in the real estate sector, receipt of BU (Building Usage) Permission for Phase I of Kedia's Kothi project, healthy sales booking in on-going projects and low dependence on external debt for project funding.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on July 11, 2023 the following were the rating strengths and weaknesses (updated for the information available as per Real Estate Regulatory Authority (RERA) website and Audited financial statements for March 31, 2023 as submitted by the firm)

Material deviation in audited financials vis-à-vis provisional financials for FY23 considered during the last review

As per the provisional results, the construction of on-going real estate projects was majorly funded through customer advances (Rs.183 crore) and funds infused by the promoters in FY23 (Rs.164.48 crore). However, as per the audited results the projects were funded through project creditors and customer advances (with no promoter funding); and additionally, the partners withdrew capital of around Rs.9.72 crore.

As per the audited results, creditors O/s as on March 31, 2023 stood at Rs.86.87 crore as against Rs.8.34 crore reported in the provisional financials.

Furthermore, as per the provisional results, the firm had free cash and liquid investments of Rs.55.62 crore as on March 31, 2023. However, as per the audited results free cash and bank balance stood only at Rs.11.21 crore as on FY23-end.

Clarifications on the above stated deviations have not been received from the client.

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

Key weaknesses

Constitution as a Limited Liability Partnership Firm

The credit risk profile of KREL is constrained by its partnership constitution wherein there is an inherent risk of withdrawal of the capital which may affect its financial flexibility in the eventuality of occurrence of such event. During FY23, the promoters have withdrawn capital of around Rs.9.72 crore from the firm. Withdrawal of the funds by promoter's and reporting of deferred revenue expenditure of Rs.7.92 crore resulted in erosion of networth base of the firm to negative Rs.1.61 crore as on FY23-end.

High reliance on customer advances for Kedia's Sezasthan

Kedia's Sezasthan is envisaged to be funded by promoter's funds: debt: customer advances in the ratio of 29:13:58. As on March 31, 2023 the firm had acquired land for the project and incurred initial project expenses of around Rs.84.56 crore, funded through creditors. Considering the size of the project and its nascent stage of implementation, timely receipt of customer advances and infusion of promoter's funds in line with the construction pace shall remain crucial from credit perspective.

Geographical concentration risk

All the projects of KREL are in the vicinity of Jaipur, resulting in significant geographical concentration. Any downturn in these micro markets could impact the cash flows adversely.

Presence in a cyclical 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. The real estate sector is also sensitive to the macroeconomic cycle and interest rates. Adverse movement in interest rate affects the real estate players in both ways – by hampering demand as well as increasing the cost of construction.

Key strengths

Healthy sales momentum in Kedia's Sezasthan, albeit moderation in incremental bookings witnessed in the affordable housing segment

Apart from Kedia's Kothi Phase-I which has received BU permission in December 2023, the firm is currently executing one affordable housing project i.e. Kothi Phase II and an independent villa scheme under Kedia's Sezasthan.

The sales momentum for Kedia's Sezasthan remained healthy with around 65% of the units booked till March 31, 2024. Furthermore, till December 31, 2023 KREL had received bookings of around 80% and 79% respectively for Kedia's Kothi Phase I and Phase II. However, incremental sales momentum in both these projects remained muted with only around 41 units booked during the trailing 12 months ended December 31, 2023.

Satisfactory construction progress

KREL has completed the construction of Kedia's Kothi Phase I in Q3FY24 and has received BU permission for in December 2023. The construction of Kothi Phase II reported construction progress of around 30% as on March 31, 2023 and is expected to be completed by December 2024. Sezasthan was at a very nascent stage of execution as on FY23-end.

Resourceful promoters with regional track record of successful completion of plotted developments

KREL is a part of Kedia Homes Group, which has a presence in real estate industry for more than three decades in Jaipur. Incorporated by Mr. Shiv Kumar Kedia in 1984, the group commenced real-estate activity in Jaipur with development of plotted schemes and currently the business is managed by the second generation of the family.

Kedia Homes Group has completed plotted development projects of around 90 Isf across Jaipur as on March 31, 2023. The group ventured into residential projects development in 2015 and has developed 3 housing projects prior to its venture in affordable housing segment.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[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

Incorporated in 2014, by Mr. Nitin Kedia and Mr. Nirmal Kedia, Kedia Real Estate LLP is a part of Kedia Homes Group engaged in construction of residential/commercial apartments and villas in Rajasthan. Kedia Homes was founded by Mr. Shiv Kumar Kedia in 1984 and has an experience spanning more than three decades in the real estate industry. Kedia Homes group initially was into development of plotted schemes and since 2015 the group has started development of housing schemes in and around Jaipur.

At the time of last rating exercise 3 projects with saleable area of around 30.70 lsf were under development, one of which has received BU in December 2023 and hence as on May 31, 2024, KREL is developing 2 residential projects, having a saleable area of around 21.50 lsf.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	18.09	22.60
PBILDT	-4.39	-0.40
PAT	-5.08	-1.30
Overall gearing (times)	1.27	-28.79
Interest coverage (times)	-101.13	-2.94

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: None

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March, 2026	40.38	CARE BB+; Stable; 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 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	40.38	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (11-Jul-23)	-	-

LT: Long 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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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