

Sanatan Infracon LLP

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	85.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating assigned to the bank facilities of Sanatan Infracon LLP (SIP) are constrained on account of inherent project implementation risk saleability as well as high saleability risk as the project is at nascent stage of execution with low booking status as on June 30, 2024, stretched liquidity and inherent risk associated with the real estate sector.

Rating, however, derive comfort from established track record of partners in the real estate market, favourable location of the project and moderate funding risk owing to achievement of financial closure for the project along with receipt of all requisite approvals.

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

- 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 on the long-term rating reflects CARE Ratings' expectation that the firm will benefit from established track record of partners group in the Rajkot real estate market and favourable location of the project.

Detailed description of key rating drivers:

Key weaknesses

High Project saleability risk

Sanatan' is a residential and commercial project having a total built-up of area or around 11.70 lakh square feet. It is situated at "Munjka" which is a prime locality in Rajkot. Total estimated project cost of project is Rs.230 crore which is proposed to be funded through partner's contribution: debt: customer advances in the ratio of 31:37:32. As on August 31, 2024, total 18 residential units (out of total 595 units) and 3 commercial units (out of total 218 units) were booked, indicating nascent stage of project and high saleability risk considering significantly large inventory of the project. Out of projected customer advance of Rs.74 crore, firm has received Rs. 1.42 crore till August 31,2024.

Presence in fragmented and cyclical real estate sector

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. This 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. The credit risk profile of SIL is constrained by its constitution wherein there is an inherent risk of withdrawal of the capital which may affect its financial flexibility.

Key strengths

Established track record of the partners in successful execution of residential and commercial project in the Rajkot real estate market

SIL was incorporated on November 2023 by ten partners namely Viralkumar A Tholiya, Pareshkumar N Nanda, Nilesh P Zalavadia, Kaushikkumar B Rabadiya, Dilipbhai Ranipa, Riken D Aghola, Piyush V Banugariya, Hitendra M Ghetiya, Pravinbhai D Boda and Ankur B Sinojia to construct a residential and commercial real estate project "Sanatan". The partners are well experienced in the real estate are ably supported by other partners of the firm and team of professionals for the project execution. The partners

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

have developed 8 projects including residential and commercial schemes with total constructed area of around 6.05 lakh square feet (lsf).

Moderate funding risk and favourable location of the project

SIL has achieved financial closure for "Sanatan" for the project term loan of Rs. 85 crore. Around 31% (around Rs. 70 crore) of the project is proposed to be funded through promoter's contribution, of which Rs. 45.44 crore has already been infused till June 30, 2024. With majority of partner's capital already infused and debt tie-up achieved for the project, the overall funding risk remains moderate. The property is located in the preferred emerging realty hotspot i.e Munjka in Rajkot.

Satisfactory project progress and receipt of majority of approvals

SIL had already incurred cost of Rs. 59.55 crore (26% of the total project cost) as on June 30, 2024. The project has received all requisite approvals i.e. height clearance from Airport Authority of India (AAI), environment clearance, No Objection Certificate from the fire department regarding design and drawings of project, building plan approvals and all other clearances from the RERA (Real Estate Regulatory Authority).

Liquidity: Stretched

The liquidity profile of the SIL remains stretched marked by low booking advance as on August 31, 2024 since the project is at nascent stage of development. The booking advance as percentage of total sales value remains moderate at around 27% (Rs. 1.42 crore received as advance as against sales value of Rs. 5.32 crore). Though undrawn bank loan of around Rs.65 crore as on August 31, 2024 provides cushion to its liquidity during the construction phase, decline in sales velocity may result in lower customer advances and may require additional financial support from the partners.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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 firm and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Sanatan Infracon LLP was incorporated on November 2023 by ten partners to construct a residential and commercial real estate project named "Sanatan". The project has built up area of 11.70 lakh square feet and a projected cost of Rs.230 crore. It is situated at "Munjka" which is a prime locality in Rajkot. The said project has 813 units (218 commercial-Shops and 595 residential) and 6 towers (Basement 1 +Basement 2 +Ground +14 floors)

Brief Financials: Not applicable since it's a project phase entity.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2029	85.00	CARE BB-; Stable

Annexure-2: Rating history for 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	85.00	CARE BB-; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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