

## Kataria Construction Private Limited

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	0.08 (Reduced from 0.73)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	2.42 (Enhanced from 1.77)	CARE BB-; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	5.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Kataria Construction Private Limited (KCPL) factor in small scale of operations, residual project execution risk and marketing risk associated with unsold inventory. The ratings are further constrained by inherent risk associated with real estate sector as well as cyclical and seasonality associated with real estate industry and exposure to local demand-supply dynamic. The ratings, however, continue to derive comfort from experienced management and moderate capital structure of the company.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Ability to increase collections/ realizations from its ongoing projects.
- Improvement in total operating income (TOI) above ₹35 crore on a sustained basis.
- Timely realization of customer advances.

#### Negative factors

- Slowdown in collection/ sales momentum.
- Any incremental borrowing leading to overall gearing above 2.50x on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

"Stable" outlook reflects CARE Ratings Limited (CARE Ratings) opinion that KCPL will continue to benefit from the extensive experience of the management in the industry.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations

The company witnessed moderation in operational performance of the company and moderated by 41% to ₹12.90 crore during FY24 (refers to April 01 to March 31) compared to ₹22 crore during FY23. The moderation in operational performance was due to the registry for 2 flats didn't happen in FY24 contributing ~₹19 crore due to which the company witnessed moderation, however, expects improvement in FY25. In 9MFY25 (refers to April 01 to December 31), KCPL has achieved the TOI of ~₹10.50 crore. CARE Ratings believe the company's ability to improve the operational performance over the short to medium term will remain a key credit monitorable.

#### Residual project execution risk

Presently, the company is developing residential apartment projects in New Delhi having total saleable area of 0.511 lakh square feet (LSF). The company is in possession of the project land and necessary permissions/ approvals and necessary clearances regarding construction have already been obtained. The total cost of the projects is ₹119.60 crore. This exposes the company

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

towards residual project execution risk. Furthermore, the completion of the residual project is mainly linked to external funding. This in turn will affect the timely completion of the project.

#### **Marketing risk associated with unsold property**

The effective execution of ongoing projects and timely collection of advances of the flats to be developed under the projects will remain critical determinant for the credit profile of the company. Further, real estate sector has been witnessing muted housing demand in the recent past. Therefore, marketing risk associated with sale of outstanding inventory remains as a concern for KCPL to fund its residual construction cost.

#### **Inherent risk associated with real estate sector**

For real estate sector, with consumers becoming more discerning, ready-to-move-in homes will be the main demand drivers in the coming period as well. Developers will continue to focus on reducing their present inventory, before launching new projects. The developer's track record, quality of construction and delivery timelines will be crucial aspects that home buyers will consider in their purchase decisions. With real estate regulatory authority (RERA) in place, the investment environment is also expected to improve. The expected capital inflow would help the segment. Additionally, with the government providing benefits for affordable housing, including setting up of a dedicated fund, we can expect more private developers to get into this segment.

#### **Cyclicality and seasonality are associated with real estate industry and exposure to local demand-supply dynamic**

The company is exposed to the cyclicality associated with real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. This exposes these companies to the vagaries of property markets. A high-interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

#### **Key strengths**

##### **Experienced Management**

KCPL is being promoted by Sandeep Kataria and Pradeep Kataria. Sandeep Kataria is a graduate by qualification and has an experience of more than two and half decades in real estate industry and Pradeep Kataria is a graduate by qualification and has an experience of more than two and half decades in real estate industry through his association with KCPL.

##### **Moderate Capital structure**

The capital structure of the company moderated to 1.88x as on March 31, 2024, as against 1.34x as on March 31, 2023, due to increase in unsecured loans from promoters and related parties. The debt coverage indicators stood moderate as marked by interest coverage ratio and TDGCA of 1.04x and 50.52x, respectively, as on March 31, 2024. The company's ability to improve its capital structure driven by low reliance on external debt and accretion of profits to reserves thus improving the net-worth base will remain a key credit monitorable.

##### **Liquidity: Stretched**

The liquidity position of the company remains stretched marked by tightly matched accruals of ₹0.69 crore as on March 31, 2024, vis-à-vis repayment obligations of ₹0.08 crore in FY25. However, there is cushion in form of unutilized working capital limits, since the working capital limits are ~60% utilized. Further, the cash and bank balance stood low at ₹0.42 crore as on March 31, 2024. Given the nature of the company's business operating cycle remained high at 1019 days as on March 31, 2024 (PY: 583 days) on account of high inventory holding period of 1030 days. As on December 31, 2024, the company has committed receivables of ₹5.92 crore.

**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](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

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

New Delhi based KCPL, was incorporated in the year 1983 & is engaged in the construction of residential builder flats in New Delhi. The developer purchases the property and constructs the flats based on the guidelines from Municipal Corporation and as per the client requirements. As per the agreement with the landowner and profitability associated with each floor, the developer takes 1 or 2 units/floors from the total no. of floor constructed for the client. The company is currently being managed by Pradeep Kataria and Sandeep Kataria.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	22.00	12.90	10.50
PBILDT	3.77	2.56	NA
PAT	0.93	0.32	NA
Overall gearing (times)	1.34	1.88	NA
Interest coverage (times)	1.54	1.04	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL has continued the ratings assigned to the bank facilities of KCPL into 'Issuer not cooperating' category vide press release dated January 22, 2025, on account of non-availability of requisite information from the company.

**Any other information:** Not applicable

**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	-	-	-	April 2025	0.08	CARE BB-; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	5.00	CARE A4
Fund-based/Non-fund-based-LT/ST	-	-	-	-	2.42	CARE BB-; Stable / CARE A4

**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 - ST-Bank Overdraft	ST	5.00	CARE A4	1)CARE A4 (04-Apr-24)	-	1)CARE A4 (23-Mar-23)	1)CARE A4 (29-Mar-22) 2)CARE A4 (06-Apr-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	2.42	CARE BB-; Stable / CARE A4	1)CARE BB-; Stable / CARE A4 (04-Apr-24)	-	1)CARE BB-; Stable / CARE A4 (23-Mar-23)	1)CARE BB-; Stable / CARE A4 (29-Mar-22) 2)CARE BB-; Stable / CARE A4 (06-Apr-21)
3	Fund-based - LT-Term Loan	LT	0.08	CARE BB-; Stable	1)CARE BB-; Stable (04-Apr-24)	-	1)CARE BB-; Stable (23-Mar-23)	1)CARE BB-; Stable (29-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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
2	Fund-based - ST-Bank Overdraft	Simple
3	Fund-based/Non-fund-based-LT/ST	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](mailto:care@careedge.in) for clarifications.

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### About us:

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