

B J Enterprise (Revised)

February 21, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	20.00 (Rs. Twenty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of B J Enterprise (BJE) is continued to be tempered by moderate project execution and funding risk at an entity level as a considerable part of the project is at a nascent stage, saleability risk persists owing to high dependence on customer advances for funding the construction cost coupled with low booking status, moderate liquidity position and having presence in cyclical nature of the real estate industry and constitution of the entity as a proprietorship firm.

The rating, however, continues to derive strength from the experienced promoter with over a decade of experience, and site being located at well-established residential location.

The ratings assigned by CARE are based on the capital deployed by the proprietor and the financial strength of the firm at present. The ratings may undergo a change in case of withdrawal of capital by the proprietor in addition to the financial performance and other relevant factors.

Key Rating Sensitivities

Positive rating sensitivities:

- If financial tie up is completed for Wing B & Wing C and committed receivables as % of overall pending project cost and debt outstanding improves to more than 50%
- Successful completion of project of Moon Stone Wing A within envisaged cost and time parameters
- Increase in sale of pending units as per envisaged price and realization of customer advances as envisaged in time bound manner leading to adequate generated cash flow for meeting construction expenses and debt servicing.
- Committed Receivable as a percentage of Total Debt and pending project cost increases to more than 50%.

Negative rating sensitivities:

- Delay in sales realization or collection being slower as compared to envisaged leading to delay in overall completion of Wing A from the envisaged timelines and slower progress in construction in Wing B & Wing C may impact the overall progress of the project.
- Delay in envisaged receipt of advances from already booked units or from future sale of units leading to cash flow mismatch and inadequate cushion for debt servicing
- Deterioration in overall gearing to more than 2x.

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate project execution risk: The firm has already received commencement certificate for all the 18 floors of the ongoing project Wing A. Further, BJE has completed the construction of all 18 floors and external work as certain part of the internal work is being undertaken and the same is expected to get completed by June 2022.

Further, the firm has begun the development of the other two wings – Wing B and Wing C, wherein construction work has commenced and has been completed upto 2 storeys (Basement + plinth + 2 Floors). Commencement Certificate has been received for both the wings. As on Nov 30 2021, out of Rs.128.75 crore of expenses to be incurred (Wing A~Rs.58.29 crore and Wing B & C~Rs.70.46 crore), the firm has incurred Rs.64.31 crore (i.e. Wing A~Rs.45.74 crore and Wing B & Wing C~ Rs.18.57 crore) which is representing around 50% of the overall project cost. Thus, though the project execution risk is minimal for Wing A while its on the higher side for Wing B & Wing C, the same is considered to be moderate at the entity level. Hence, the ability of the firm to complete the balance work of all the wings in timely manner and receive occupancy certificate for Wing A as envisaged shall be critical from the credit perspective.

Moderate project funding risk: The estimated cost of the project Moonstone Wing A is Rs. 58.29 crore and as on November 30, 2021, the entity has incurred Rs.45.74 crore which is around (~78.47%) of the total estimated cost and the same was funded through promoter funds of Rs.14.48 crore, customer advances of Rs.16.25 crore and balance through term loan amounting Rs.15.01 crore. The estimated cost of the project Moonstone Wing B and C is Rs. 70.46 crore as on November 30, 2021, however as on November 30, 2021 the entity has incurred Rs.18.57 crore which is around (~26.34%) of the total estimated cost and the same was funded through promoter funds of Rs.18.57 crore. So, funding risk in Wing B and C is higher. Nevertheless, comfort can be drawn as the balance construction work can be funded through Rs.18.52 crore is yet to be received from presently booked 67 units. Wing A and term loan amounting to Rs. 4.99 crore is yet to be disbursed. Also, Term loan for Moonstone project B and C is under process. Further, Occupancy certificate for Wing A is expected to be received by Aug 2022 and the possession is

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

expected to be handed over by September 2022 which will boost the sale of all wings thereby reducing the mitigating the funding risk to an extent.

Marketing risk: BJE is has 121 flats for Wing A and as on November 30, 2021, 67 flats with total residential space of 32,700 sq. ft. (carpet area) i.e. around 55% of flats have already been booked. Furthermore, BJE has received customer advances amounting to Rs.27.36 crore as on November 30, 2021 and Rs.18.52 crore is yet to be received. For, Wing B and C as on November 30, 2021, 2 flats with total residential space of 829 sq. ft. (carpet area) have been booked. Going forward BJE's ability to book the balance flats, and complete the construction to receive the customer advances of flats already booked will be crucial as the debt repayment of the term loan availed will be dependent on successful sale of flats or realisation of receivables in a timely manner. Nevertheless, the marketing risk is mitigated to a certain extent on account of prime location of the projects undertaken as well as experience of the promoters to undertake such projects in this locality.

Cyclical nature of the real estate industry coupled with sensitivities to government policies, interest rates and prices of key raw materials

Cement and steel are the two major raw materials consumed by the real estate industry. Any variation in the prices of key raw materials during the construction period has a direct impact on total cost of the project. Moreover, any adverse movement in interest rate affects the real estate players in both ways; by hampering the demand as well as increasing the cost of construction. The sector is directly affected by changes in government regulations related to Floor Space Index (FSI) and any changes in the approvals required for the projects from various government bodies, usually at the state level.

Constitution of entity being proprietorship firm

Being a proprietorship firm, BJE has inherent risk of withdrawal of capital at the time of personal contingency. Furthermore, it has restricted access to external borrowings where net worth as well as creditworthiness of the proprietor are the key factors affecting credit decision of the lenders. Hence, limited funding avenues along with limited financial flexibility have resulted in small scale of operations for the firm.

Key rating Strengths

Experienced proprietor in real estate industry

BJE is promoted by Mr. Jayesh Ajmera, who has more than thirty years of experience in real estate development and construction business through execution of real estate projects in Vasai, Palghar (Maharashtra) under various group entities of BJE such as Ajmera Developers, Pragati Associates, Pragati Builder, Pragati Enterprises and Pearl Realty.

Favorable location of the project

The site of Moon Stone project is located at Vasai, Palghar which is being well established residential location. The site is surrounded by schools, colleges, restaurants, hospitals, religious places, recreational places, etc. Moreover, the public transport is also easily accessible from the site, which would enable BJE to garner better realizations from the sale of its residential spaces. As discussed with management, there is proposed metro connectivity from Vasai-Virar to Dahisar coming up along with proposed bullet train project due to which demand and rates are expected to remain steady.

Liquidity Position: Stretched – Liquidity position remains stretched marked by lower accruals, customer advances and receipts when compared to construction cost to be incurred and repayment obligations. The cash balance stood relatively modest of Rs. 4.04 crore as on March 31, 2021, which seems to be on the lower side to support its operations considering the fact that Wing B and C has been launched and majority of the expenses are to be incurred for the same. Besides, the repayment of present loan for wing A is scheduled to commence from March 2022. Cash coverage ratio also remains moderate. Further, the approval from the lender for extension in existing repayment is under process and any extension provided is expected to add cushion to the liquidity position.

Analytical approach: Standalone

Applicable Criteria

[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

B. J. Enterprise (BJE) was established in March 2018 by Mr. Jayesh Babulal Ajmera as a proprietorship concern and is engaged in real estate development. Currently BJE had undertaken one residential project viz. Rajhans Dreams – Moonstone Wing A, which is registered with RERA (RERA ID: P99000018357) at Vasai, Palghar with total saleable area of 78,489 square feet. The project of Wing A having 18 floors has received Commencement Certificate (CC) for all the floors and is expected to be completed by June 2022. The above project comprises of total 3 wings viz. Wing A, Wing B and Wing C. In the first phase, Wing A has been launched and now the firm has launched or commenced the development of the other two wings – Wing B and Wing C of 15 floors each, wherein construction work has commenced for Wing B and Wing C (RERA ID: P99000031455) with total saleable area of 81,834 square feet and has been completed up to 2 storeys (Basement + plinth + 2 Floors). Commencement Certificate has been received for both the wings.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)
Total operating income	9.59	24.21	NA
PBILDT	4.45	9.85	NA
PAT	1.10	6.10	NA
Overall gearing (times)	0.70	0.84	NA
Interest coverage (times)	1.37	2.70	NA

A: Audited; Prov.: Provisional; NA: Not Available

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 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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	December, 2024	20.00	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	20.00	CARE BB-; Stable	-	1)CARE BB-; Stable (31-Dec-20)	1)CARE BB-; Stable (01-Oct-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	NA
B. Non-financial covenants	NA

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	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 instrument: CARE Ratings Ltd. 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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