

March 11, 2021

Lohia Jain Housing Company LLP: Long-term rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term Loan	55.00	55.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn
Total	55.00	55.00	

*Instrument details are provided in Annexure-1

Rationale

The rating assigned to Lohia Jain Housing Company LLP (LJHC/ the company) has been withdrawn at the request of the company, based on the no object certificate (NOC) letter provided by its banker for waiver of external rating. The rating has been withdrawn as the amount outstanding against the rated instrument is less than Rs. 50 crore; This is in accordance with ICRA's policy on withdrawal and suspension of credit rating.

The rating of Lohia Jain Housing Company LLP (LJHC/ the company) factors in the project's satisfactory construction and sales progress and the low exposure to regulatory risk given that all necessary approvals are in place. The rating factors in the adequacy (79%) of the company's committed receivables (Rs. 71 crores) to fund the balance project cost (Rs. 58 crores) and the outstanding debt (Rs 32 crore) as on September 30, 2020. The rating continues to derive comfort from the Lohia-Jain Group's established presence and brand recognition in the Pune real estate market. The rating takes into account the favourable location of the project, which is well connected to several residential and commercial hubs of Pune. The rating also positively factors in the financial flexibility that company derives from its Group, supported by the stable rental income from commercial real estate assets and moderate debt levels against them.

The rating is, however, constrained by the firm's modest scale of operations (a single ongoing project). LJHC has incurred 69% of the total budgeted cost and sold 53% of the saleable area as on September 2020, thereby mitigating the project execution risk and market risk to some extent. Nevertheless, it remains exposed to residual execution and market risks. The rating is also constrained by the high geographical concentration risk, as the firm's presence is limited in a single micro market, Bavdhan, in Pune.

Key rating drivers and their description

Credit strengths:

Satisfactory construction progress with healthy sales velocity - The project achieved sales bookings of 53% and financial progress of 69% as on September 2020. The firm has adequate (79%) committed receivables (Rs 71 crore) to fund the balance project cost (Rs 58 crore) and the debt outstanding (Rs 32 crore) as on September 30, 2020. The construction of the entire project is expected to be completed by March 2022, ahead of its RERA completion timeline of January 2024. Further, all approvals required for project construction are in place, thereby reducing the regulatory risk.

Established track record and brand recognition of Lohia-Jain Group in Pune's real estate market – The Lohia-Jain Group has been in the real-estate market for about two decades, with around 1.16 million square feet (mn sqft) of completed project area and 0.57 mn sqft of ongoing development. The Group enjoys good brand recall in the Pune real estate market. The Group has adequate financial flexibility owing to the stable rentals from its commercial real estate assets, wherein the debt levels are moderate.

Favourable project location enhances marketability – The ongoing project “Odela” is located at Bavdhan Khurd, Pune, and has good connectivity to several residential and commercial hubs of the city, along with the presence of adequate amenities in its surroundings. The favourable location of the project along with its competitive pricing enhances its marketability.

Credit challenges:

Modest scale of operations - At present, LJHCLLP is executing a single project, Odela, encompassing a total saleable area of 0.57 mn sqft of the total saleable area. The modest scale of operations exposes it to high concentration on operational cash flows from a single project.

Residual execution and market risks – The firm has incurred 69% of the total budgeted cost and sold 53% of the saleable area of the project as on September 2020, thereby mitigating the project execution risk and market risk to some extent. Nevertheless, it remains exposed to residual execution and market risks.

High geographic concentration risk - All the firm’s completed and ongoing residential projects are located in a single micro market-Bavdhan in Pune.

Liquidity position: Adequate

LJHC’s liquidity is adequate as evidenced by its cash and liquid investments and undrawn term loans aggregating to approximately Rs. 27.5 crore as of September 30, 2020. Also, the firm has committed receivable of Rs. 74 crore against the pending project cost of Rs.58 crore as on September 30, 2020. Further, the firm has availed loan of Rs. 5 crore under the Emergency Credit Line Guarantee Scheme (ECLGS). The firm has further prepaid the term loan outstanding by ~Rs 9 crore as on December 31, 2020. Overall, the committed receivables with undrawn credit lines would be sufficient to fund the balance cost required to complete the project, which underpins the firm’s liquidity profile

Rating sensitivities:

Positive factors – Improvement in project diversification along with better sales and collections from the ongoing projects on a sustained basis would be essential for the rating upgrade.

Negative factors – ICRA would downgrade the rating of LJHC if there is a slowdown in sales and collection or delay in execution of the ongoing project. Any significant increase in loans and advances to group entities and/ or large investments in land bank, resulting in increase in debt, would also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the firm

About the company

M/s Lohia Jain Housing Company LLP (LJHC) is a Group company of Lohia-Jain Group (LJG), which is among one of the established real estate players in Pune. The firm was incorporated in 2000 and over the last 20 years has completed development of around 0.29 mn sqft of area. It has around 0.51 mn sqft of area under development at present. The firm is now developing a residential real-estate project named “Odela” in Bavdhan Khurd, Pune. The Lohia Jain Group was founded by Mr Mukund Lohia and is currently managed by Lohia and Jain family (Mr. Purushottam Lohia, Mr. Madan Jain, Mr. Pradeep Jain and Mr. Aditya Lohia). The Group has developed 1.16 mn sqft of residential area and has 0.28 mn sqft of commercial asset, within Pune.

Key financial indicators (audited)

LJHC Standalone	FY2018	FY2019	FY2020
Operating Income (Rs. crore)	0.0	0.5	0.0
PAT (Rs. crore)	-2.8	-6.6	4.5
OPBDIT/OI (%)	-4025.0%	-310.6%	-
RoCE (%)	-	-3.1%	17.9%
Total Outside Liabilities/Tangible Net Worth (times)	6.9	42.7	26.3
Total Debt/OPBDIT (times)	-37.6	-42.3	6.5
Interest Coverage (times)	-1.4	-0.3	1.7
DSCR (times)	(1.4)	(0.3)	1.7

Source: Company, ICRA Research

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
			Amount Rated (Rs. crore)	Amount Outstanding as of Sept 30, 2020 (Rs. crore)	Date & Rating in		Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					March 11, 2021	Jan 29, 2021			
1	Term Loan	Long Term	55.0	31.8	[ICRA]BB+ (Stable); withdrawn	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-
2	Unallocated	Long Term	-	-	-	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	Mar-2018	10.4%	Dec- 22	50.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn
NA	Working capital Term loan- ECLGS*	Aug 2020	7.4%	Dec- 22	5.00	[ICRA]BB+ (Stable); Reaffirmed and withdrawn

Source: Company; *Additional credit facility of Rs 5 crore obtained from SBI under the Emergency Credit Line Guarantee Scheme

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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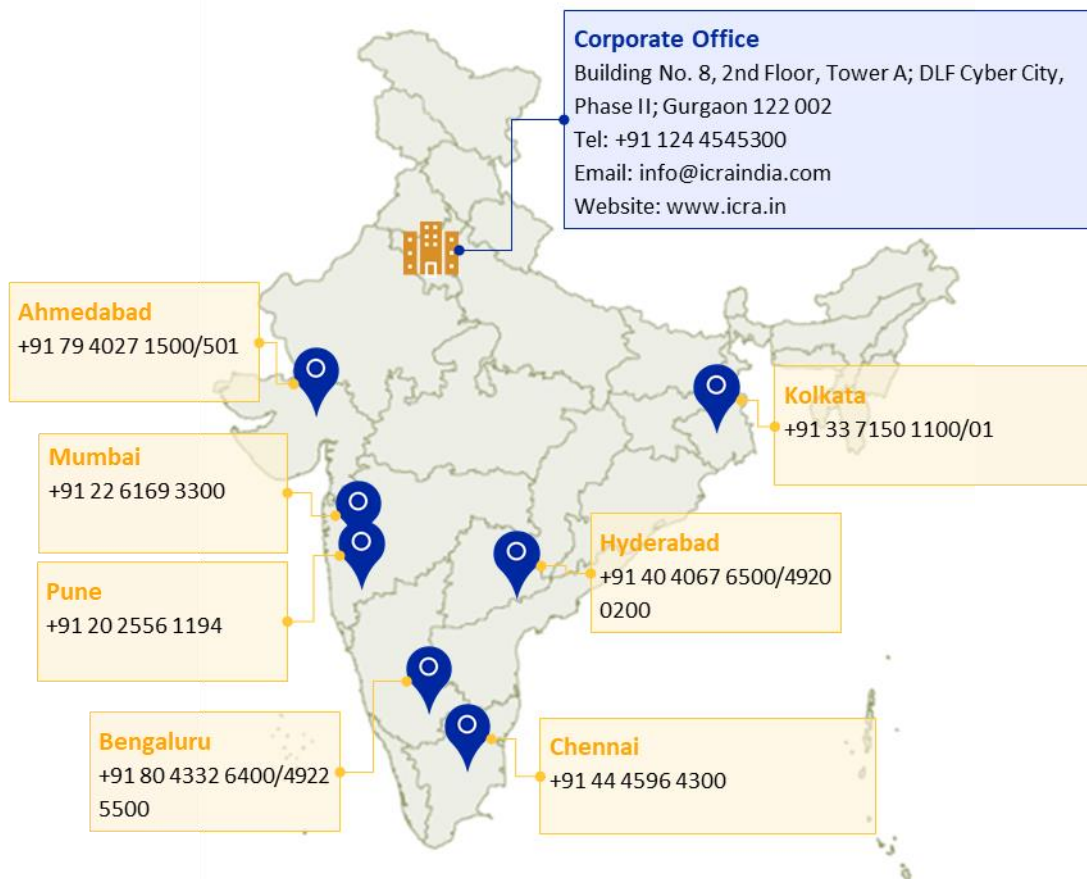


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