

Lohia Jain Housing Company LLP

April 26, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based facility	0.00	50.00	[ICRA]BB (Stable); Reaffirmed
Unallocated	80.00	30.00	[ICRA]BB (Stable); Reaffirmed
Total	80.00	80.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating assigned to the Rs. 50.00-crore¹ fund-based facility and Rs. 30.00-crore unallocated facilities of Lohia Jain Housing Company LLP (LJHCLLP)² at [ICRA]BB (pronounced ICRA double B). The outlook on the long-term rating is 'Stable'.

Rationale

The rating takes into consideration the Group Company's (Lohia-Jain Group) established presence and brand recognition in the real estate market of Pune, on account of several residential and commercial projects executed in the past 20 years. The rating takes into account the favourable location of the project, having good connectivity to several residential and commercial hubs of Pune. The rating draws comfort from the project's modest exposure to regulatory risk given that almost all necessary approvals for construction activity are in place. The ratings also take into account the presence of financial flexibility in the Group, due to availability of top-up potential in LRD against completed commercial properties of the Group and stable rentals generated.

The rating is, however, constrained by the nascent stage of construction activity of the firm's ongoing project "Odelia", leading to high exposure to inherent project execution risk. The ratings also factors in the presence of market risk given limited sales achieved as on date, as the firm is yet to launch the sales of the project in full scale. Nevertheless, the presence of several completed projects of the Group, in and around the ongoing project location, helps to mitigate the risk to some extent. The rating also takes note of the competition from other similar projects present in the vicinity and geographic concentration risk with firm's presence limited to the city of Pune and nearby regions.

Outlook: Stable

ICRA believes LJHCLLP will continue to benefit from the established presence of its Group Company in the real estate market of Pune. The outlook may be revised to 'Positive' if significant project financial progress is achieved in the next one year, with comparable sales booking recorded during the same period. The outlook may be revised to 'Negative' if future sales from the project fall below expectations.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

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 20 years now with around 1.16 msf of completed project area and 0.57 msf of ongoing project area. The Group enjoys good brand recall in Pune and its surrounding regions on account of development of Mukund Nagar region of Pune, named after the Group's founder late Mr. Mukund Lohia.

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

Modest exposure to regulatory risk – Almost all necessary approvals required for construction activity of the ongoing project are in place, except for pending FSI approval for some units of the project. However, approvals for the same can be obtained without any major difficulty, leading to modest exposure towards any kind of regulatory risk.

Presence of financial flexibility in the Group - Availability of top-up potential in LRD loans availed against completed commercial properties of the Group and stable rentals generated from these properties, indicate presence of financial flexibility in the Group.

Credit challenges

Exposure to significant execution risk – The ongoing project of the firm ("Odela") is exposed to significant execution risk as only 9% of the budgeted construction cost has been incurred till Dec 2017. The project is in nascent stage of construction, with excavation work under progress presently.

Prone to market risk on account of limited sales achieved till date – The firm is prone to considerable market risk, as it is yet to launch sales of the ongoing project "Odela" in full scale. As on date, the firm has achieved limited sales of only 5% of the total saleable area. Nevertheless, the presence of several completed projects of the Group in and around the ongoing project location, helps to mitigate the risk to some extent.

High geographic concentration risk - All of the firm's completed and ongoing residential projects are located in and around Pune. This creates high dependence on market conditions of the location.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Real Estate Entities](#)

About the company:

M/s Lohia Jain Housing Company LLP (LJHCLLP) 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 18 years has completed development of around 0.29 msf of area. It has around 0.51 msf of area under development at present. The firm is now developing a residential real-estate project named “Odela” in Bavdhan Khurd, Pune.

About the Group:

Founded by late Mr. Mukund Lohia, Lohia-Jain Group has been based in Pune for the last 200 years and had begun its business operation as trader in clothing business. The Group forayed into construction business in the year 1960 with development of Mukund Nagar (one of the plush location of Pune) spanning approximately to about 100 acres in area. The Group over the span of last 20 years has executed 19 projects including both residential and commercial projects, situated at favourable locations of the city. The Group has completed development of around 1.16 msf of saleable area and has around 0.57 msf of area under development at present.

Key financial indicators (audited)

	FY2016	FY2017
Operating Income (Rs. crore)	146.0	27.4
PAT (Rs. crore)	32.1	4.9
OPBDIT/OI (%)	30%	40%
RoCE (%)	1604%	81%
Total Debt/TNW (times)	0.8	0.2
Total Debt/OPBDIT (times)	0.1	0.2
Interest coverage (times)	-	-
NWC/OI (%)	9%	45%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs crore)*	Date & Rating	Date & Rating in FY2018 March 2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Term Loan	Long Term	50.00	9.00	[ICRA]BB (Stable) April 2018	[ICRA]BB (Stable)	-	-
2 Unallocated	Long Term	30.00	Nil	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-

*As on April 18, 2018

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		March 28, 2018	NA	December 31, 2022	50.00	[ICRA]BB (Stable)
NA	Proposed Loan	Term	NA	NA	NA	30.00	[ICRA]BB (Stable)

Source: Firm

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