

July 08, 2019

Lohia Jain Housing Company LLP: Rating reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure-1

Rationale

The rating continues to derive comfort from the Group Company's (Lohia-Jain Group) established presence and brand recognition in the real estate market of Pune. Lohia Jain Housing Company LLP (LJHC) is currently developing a single residential project named "Odela" located in Pune. 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 satisfactory construction and sales progress with timely debt tie up and low exposure to regulatory risk given that all necessary approvals for construction activity are in place. The ratings also positively factors in the presence of financial flexibility in the Group, supported by the stable rental income earned from commercial real estate assets and moderate debt levels against them.

The rating is, however, constrained by the project execution risk and market risk associated with the Odela project. Nevertheless, the presence of several completed projects of the Group, in and around the ongoing project location, helps to mitigate the market risk to some extent. The rating is also constrained by the company's modest scale of operations with a single ongoing project, at present. It further factors in the competition from other similar projects present in the vicinity and high geographical concentration risk with firm's presence limited to the city of Pune and nearby regions.

Outlook: Stable

ICRA believes LJHC 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 speedy execution of the ongoing project is achieved in the next one year, with higher than anticipated sales bookings and collections during the same period. The outlook may be revised to 'Negative' if future sales or collections from the project fall below expectations, resulting in higher debt drawdown or delays in construction.

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 million square feet (mn sft) of completed project area and 0.57 mn sft of ongoing project area. The Group enjoys good brand recall in Pune and its surrounding regions. The Group has adequate financial flexibility owing to the stable rentals generated from its commercial real estate assets, wherein the debt levels are moderate.

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.

Satisfactory construction progress in the ongoing project - The firm has demonstrated steady execution progress in its ongoing project Odela, as a result of healthy sales and collections and adequate debt funding in place. During the first year since launch, the project has achieved sales bookings of 22% and financial progress of 37%, in line with the initial budgets.

Credit challenges

Modest scale of operations - At present, LJHCLLP is executing a single project, Odela, encompassing a total saleable area of 0.5 mn sft of the total saleable area. The modest scale of operations restricts the business diversification and exposes it to high concentration on operational cash flows from a single project.

Exposure to significant execution and market risk – Given that the project is in early stages of construction with 33% of budgeted construction cost incurred, and limited sales of 22% of total saleable area achieved, as on March 2019, the firm is exposed to project execution risk and market risk. Nonetheless, the presence of several completed projects of the Group in and around the ongoing project location, helps to mitigate the market 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.

Liquidity Position:

During the current financial year (FY2020), the firm is expected to have financing deficit on account of costs towards the completion of the ongoing project. Such deficit is expected to be met through the undrawn portion of sanctioned debt. The customer advances coupled with the available credit lines and comfortable moratorium period are expected to support the liquidity profile in the near to medium term. The company’s cash and bank balance amounted to Rs. 0.87 crore, as on March 31, 2019.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Group: Lohia Jain Group ICRA expects the group to be willing to extend financial support to the firm, should there be any shortfall in cash flows to meet committed obligations.
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 18 years has completed development of around 0.29 mn sft of area. It has around 0.51 mn sft of area under development at present. The firm is now developing a residential real-estate project named “Odela” in Bavdhan Khurd, Pune.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	27.4	0.0
PAT (Rs. crore)	4.9	-2.8
OPBDIT/OI (%)	41.1%	-4025.0%
RoCE (%)	83.3%	-4.9%
Total Debt/TNW (times)	0.2	6.4
Total Debt/OPBDIT (times)	0.2	-28.0
Interest coverage (times)	37.6	-1.4

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2020)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1 Term Loan	Long Term	50.00	32.00	July 2019 [ICRA]BB (Stable)	April 2018 [ICRA]BB (Stable)	March 2018 -	-
2 Unallocated	Long Term	30.00		[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	28-Mar-18	NA	Dec- 22	50.00	[ICRA]BB (Stable)
NA	Unallocated	NA	NA	NA	30.00	[ICRA]BB (Stable)

Source: Lohia Jain Housing Company LLP

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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