

Press Release

Labh Homes Creations And Holdings Private Limited

June 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.25 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 12.25 crore bank facilities of Labh Homes Creations And Holdings Private Limited. The outlook is '**Stable**'.

Labh Homes Creations And Holdings Private Limited (LCPL), incorporated in 2005, is engaged in developing residential projects in Mumbai (Maharashtra). Currently, the company is developing redevelopment project in Mumbai under the name of 'Shanta Bhuvan'. The company is a part of the Batavia Group which has built luxurious bungalows, flats and shops over the years marking their presence since 1972. The group has completed more than 4 lakh square feet of work.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by Mr. Hiren Batavia and family. The promoters have collective experience of more than three decade in the real estate industry through association with other companies engaged in the same line of business.

- **Favorable location of the projects**

The project 'Shanta Bhuvan' is located at St. Xavier School Road at Vile Parle and has close proximity to the Vile Parle railway station and international airport. The project also has close proximity to colleges and schools. This renders high project saleability.

Weaknesses

- **Nascent stage of project completion**

The construction activity for the project 'Shanta Bhuvan' has started in February 2018 and is expected to be completed by March 2020. The company has incurred project cost of around Rs.9.78 crore as on 31 March, 2018 out of the total project cost Rs.41.56 crore (Construction + overheads + interest during implementation + land cost) which is around 24 percent of the total project cost. The incurred cost has been funded through promoter's capital of Rs.3.50 crore, unsecured loan from related parties of Rs. 0.83 crore, customer advances of Rs. 2.72 crore and bank borrowings of Rs. 2.73 crore. Hence, the timely completion of the project within the estimated cost will be key rating sensitivity factor.

- **Low customer advances**

The company has not received any booking for the flats on sale till date. However, it has received Rs.2.72 crore as advances from existing members against Rs.4.24 crore for the additional space sold to them. The total customer advances required for completion of the project is estimated to be Rs.23.26 crore. Hence going forward, the ability of the company to generate steady flow of customer advances will be key rating sensitivity factor.

- **Inherent cyclicity in construction sector**

The real estate industry in India is highly fragmented with most of the real estate developers having a city specific or region specific presence. The risks associated with real estate industry are cyclical nature of business (drop in property prices), interest rate risk which can affect the operations of the

company.

- **Stiff competition from ongoing and new projects in the vicinity**

Vile Parle is becoming the most desired localities of Mumbai owing to economic development along with extensive network of roadways and railways. There are many builders in Vile Parle with projects like Shreepati Rise (Shreepati group), Parinee Aria (PD group), Heena Gokul Satya (Heena Builders), Meeti Coral (Meethi Developers) to name a few.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of the company to arrive at the rating.

Outlook: Stable

Acuité believes LCPL will maintain a 'Stable' outlook over the medium term on the back of experienced management. The outlook may be revised to 'Positive' if the company generates steady cash flows from customer advances. Conversely, the outlook may be revised to 'Negative' in case of stretch in liquidity position on account of delays in project execution or collection of booking money.

About the Project

LCPL is presently developing a redevelopment residential project under the name 'Shanta Bhuvan' at Vile Parle (Mumbai). The company is constructing a total of 25 apartments out of which 9 flats are for sale and remaining will be given to existing tenants. The apartments will consist of 2, 3 and 4 BHK units and has total saleable area of 9414 square feet. The project cost is Rs.41.56 crore and sales proceeds expected are Rs.48.65 crore. The aforementioned project cost is expected to be funded through promoter's capital of Rs.5.80 crore, unsecured loan from related parties of Rs.2.50 crore, customer advances of Rs.23.26 crore and bank borrowings of Rs.10.00 crore.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	1.46
EBITDA	Rs. Cr.	0.00	0.00	0.07
PAT	Rs. Cr.	0.01	0.00	0.05
EBITDA Margin	(%)	0.00	0.00	4.95
PAT Margin	(%)	0.00	0.00	3.15
ROCE	(%)	0.44	0.22	7.80
Total Debt/Tangible Net Worth	Times	0.42	18.03	11.53
PBDIT/Interest	Times	0.00	0.00	0.00
Total Debt/PBDIT	Times	82.40	519.82	20.32
Gross Current Assets (Days)	Days	0	0	409

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4

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About Acuité Ratings & Research:

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