

## Press Release

### Labh Homes Creations And Holdings Private Limited

August 07, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.12.25 Cr.
<b>Long Term Rating</b>	ACUITE B+/Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed 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 (LCPL). The outlook is '**Stable**'.

Reaffirmation of the rating reflects moderate progress in construction of the project, experienced management. However, it is partly constrained by modest bookings and advances received from its prospective clients.

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

#### 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 landlords under joint development agreement.

The apartments will consist of 2, 3 and 4 BHK units and has total saleable area of 9414 square feet. The project costs about Rs.42.43 crore; which is funded out of term loan of Rs.10.0 crore and rest by way of promoters capital, unsecured loans and customer advances.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of Labh Homes Creations and Holdings Private Limited to arrive at this rating.

#### 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 decades in the real estate industry through 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, 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 salability.

## Weaknesses

### • Partial stage of project completion

The construction activity for the project 'Shanta Bhuvan' was started in February, 2018 and is expected to be completed by March, 2020. The company has incurred project cost of around Rs. 19.04 crore as on 31 March, 2019 (Prov) out of the total project cost of Rs. 42.43 crore (Construction + overheads + interest during implementation + land cost); which is around 45 percent of the total project cost. The incurred cost has been funded through promoters' capital of Rs. 3.50 crore, unsecured loans from related parties of Rs. 3.58 crore, customer advances of Rs. 6.75 crore and bank borrowings of Rs. 5.21 crore. Given about eight months to complete the project, timely completion of the project is key rating sensitivity factor.

### • Low customer advances

The company has received 3 booking for the flats on sale till date out of 9 flats for sale with revenue booking of Rs.13.75 crore; however, the advances received so far is so modest at Rs.2.55 crore against flats booked. Besides the advances, it has received about Rs. 4.2 crore as advances from existing members / land owners for additional space sold to them. The total customer advances required for completion of the project is estimated to be Rs. 24.14 crore. Hence, going forward, the ability of the company to mobilise timely advances from existing members, and sale of new units are critical for completion of the project on or before March 31, 2020, cut-off date as per RERA.

### • 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 among others that can affect the operations of the company.

## Liquidity Position:

The company has brought in Rs.3.50 crore as equity and additional Rs 3.58 crore as unsecured loan from Directors. The company has availed Rs. 5.21 crore of term loan out of Rs. 10.00 crore as on 31 March, 2019. Advances received stood at Rs. 6.75 crore. Acuite believes that timely receipt of advances from sold units and proposed units for sale are key critical elements for maintaining adequate liquidity.

## Outlook: Stable

Acuite believes that the company will maintain 'Stable' business risk profile in the medium term on the back of experienced management in the Mumbai real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances and sale of units resulting in timely completion of the project. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's liquidity position on account of any inordinate delay in project completion or less-than-expected advances and bookings.

## About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	6.94	-	-
EBITDA	Rs. Cr.	0.59	0.13	-
PAT	Rs. Cr.	0.00	0.00	-
EBITDA Margin	(%)	8.44	-	-
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	5.84	2.00	(0.43)
Total Debt/Tangible Net Worth	Times	2.49	1.02	0.42
PBDIT/Interest	Times	1.03	1.20	-
Total Debt/PBDIT	Times	14.96	27.51	82.40
Gross Current Assets (Days)	Days	724	-	-

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

None

## Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-41.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Jun-2018	Term Loans	Long Term	10.00	ACUITE B+/Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Long Term	2.25	ACUITE A4 (Assigned)

### \*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 (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4 (Reaffirmed)

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### About Acuité Ratings & Research:

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