

Press Release

Lokhandwala Kataria Construction Private Limited

December 09, 2021



Rating Reaffirmed and Reaffirmed & Withdrawn

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	199.00	199.00	ACUITE C Reaffirmed	
Non Convertible Debentures (NCD)	0.00	0.00	Provisional ACUITE C Reaffirmed & Withdrawn	
Total	-	199.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its rating of 'ACUITE C' (read as ACUITE C) on NCDs issue of Rs.149.00 crore of Lokhandwala Kataria Construction Private Limited (LKCPL).

Acuite has reaffirmed its rating of 'ACUITE C' (read as ACUITE C) on NCDs issue of Rs.50.00 crore of Lokhandwala Kataria Construction Private Limited (LKCPL).

Acuite has withdrawn the long-term rating of 'Provisional ACUITE C' (read as Provisional ACUITE C) on the Rs.101.00 crore Proposed Non-Convertible Debentures of Lokhandwala Kataria Construction Private Limited (LKCPL).

Further, Acuite has withdrawn the long-term rating of 'Provisional ACUITE C' (read as Provisional ACUITE C) on the Rs.100.00 crore Proposed Non-Convertible Debentures of Lokhandwala Kataria Construction Private Limited (LKCPL).

About the Company

Mumbai based, LKCPL was incorporated in 1998 and is owned by the Lokhandwala family viz. Mr. Mohammed A Lokhandwala, Mr. Mohammed Moiz Lokhandwala and Mr. Alisagar Lokhandwala. LKCPL is a part of Lokhandwala Group. The company is currently developing a project by the name of "Minerva" in Mahalaxmi region of Mumbai for the construction of 10 rehabilitation buildings, a School, a maternity/municipal clinic, a welfare Centre, a Balwadi and a saleable building 362 apartments. The project began in May 2011 and is estimated to be completed in January 2023.

About the Group

Lokhandwala Group comprises of Lokhandwala Shelters India Private Limited, Saikrupa Builders and Developers Private Limited, Ratan Real Estate Services Private Limited, Lokhandwala Universal Private Limited, Lokhandwala Infrastructure Private Limited and Lokhandwala Kataria Constructions Private Limited. The group is engaged in the business of undertaking construction of various commercial and residential projects.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the LKCPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

LKCPL is promoted by Mr. Mohammed A Lokhandwala, Mr. Mohammed Moiz Lokhandwala and Mr. Alisagar Lokhandwala who are all seasoned industry veterans managing the day to day operations of the company. The promoters of the company have amassed more than two decades of experience in the real estate industry via their association with the group companies. Further, the company has a track record of operations of more than two decades in the aforementioned line of business. The vast experience of the management, coupled with the long track of operations of the company has enabled LKCPL to execute numerous big projects in the region of Mumbai as well as overseas. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

Weaknesses

Low financial flexibility along with stretched liquidity position

LKCPL has significantly leveraged capital structure marked by poor net worth and debt protection Metrics. The company had a gearing of (24.01) times in FY2021 as against (33.22) times in FY2020, (58.92) times in FY2019 and 55.40 times in FY2018. The total outside liability to total net worth (TOL/TNW) of the company stood at (30.56) as on March 31, 2021 as against (56.96) as on March 31, 2020. Further, the interest coverage ratio stood at (3110.70) for FY2021 as against (426.09) times for FY2020 and (816.88) times for FY2019. The debt service coverage ratios stood at (0.23) times as on March 31, 2021 as against (0.12) times as on March 31, 2020. The deterioration in the financial risk profile is further emphasized by the decline of net worth of the company to (53.66) crores in FY2021 from (26.21) crores in FY2020. In addition to the deterioration in the financial risk profile of the company, there is a significant deterioration in the liquidity position as reflected by the negative net cash accruals of (27.10) crores in FY2021 against maturing debt obligations of 6.40 crores for the same period. Going ahead, the financial flexibility and liquidity of the company will be a key rating sensitivity.

Susceptibility to Real Estate cyclical and regulatory risks

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 the real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others which could affect the operations. LKCPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. Further, the industry is exposed to regulatory risk, which is likely to impact players such as LKCPL, thereby impacting its operating capabilities. In addition to the above, due to the advent of COVID19 Pandemic, the real estate sector has been one of the worst hit sectors.

Liquidity Position: Poor

LKCPL has poor liquidity marked by the negative net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.(27.10)-(13.50) crore during the last three years through 2019-21, while its maturing debt obligations were in the range of Rs.6.40-118.70 crore over the same period. The current ratio of the company stood at 4.21 times as on

March 31, 2021. Acuité believes that the liquidity of the company is likely to remain poor over the medium term on account of negative cash accrual as against debt repayments over the Medium term.

Rating Sensitivities

Timely servicing of debt obligations.

Material covenants

None.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	252.73	200.07
PAT	Rs. Cr.	(27.45)	(13.93)
PAT Margin	(%)	(10.86)	(6.96)
Total Debt/Tangible Net Worth	Times	(24.01)	(33.22)
PBDIT/Interest	Times	(3110.70)	(426.09)

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

Not Applicable.

Any other information

Acuité takes a note of the concerns expressed by the auditors of the company in the annual reports for the period FY2020-21.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Dec 2020	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	149.00	ACUITE C (Assigned)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Reaffirmed)
20 Nov 2020	Proposed Non Convertible Debentures	Long Term	250.00	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE C (Assigned)

	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Reaffirmed)
29 Sep 2020	Proposed Non Convertible Debentures	Long Term	300.00	ACUITE Provisional C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Assigned)
02 Apr 2020	Proposed Non Convertible Debentures	Long Term	300.00	ACUITE Provisional C (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	101.00	0.00	Provisional ACUTE C Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	100	0.00	Provisional ACUTE C Reaffirmed & Withdrawn
Not Applicable	INE999H07033	Non-Convertible Debentures (NCD)	02-11-2020	7	26-10-2026	50.00	50.00	ACUTE C Reaffirmed
Not Applicable	INE999H07058	Non-Convertible Debentures (NCD)	01-12-2020	7	26-10-2026	149.00	149.00	ACUTE C Reaffirmed

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About Acuité Ratings & Research

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