Press Release

October 18, 2024

LOKHANDWALA KATARIA CONSTRUCTION PRIVATE LIMITED
Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	364.00	ACUITE C | Reaffirmed	-
Non Convertible Debentures (NCD)	75.00	ACUITE D | Downgraded	-
Total Outstanding	439.00	-	-
Total Withdrawn	0.00	-	-

Rating Rationale

Acuité has downgraded its long term rating to **'ACUITE D' (read as ACUITE D)** from **'ACUITE C' (read as ACUITE C)** on Non Convertible Debentures (NCDs) issue of Rs.75.00 crore and Acuité has reaffirmed its long term rating to **'ACUITE C' (read as ACUITE C)** on Non Convertible Debentures (NCDs) issue of Rs.364.00 crore of Lokhandwala Kataria Construction Private Limited (LKCPL).

Rationale for Rating
The rating action takes into account the written feedback received from the debenture trustee confirming delays in repayment of interest and principal payment on certain NCDs (ISIN - INE999H07090).

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. Aliasgar 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 December 2023.

Unsupported Rating
Not Applicable

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. Aliasgar 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
Susceptibility to Real Estate cyclicality 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.

Rating Sensitivities

Timely servicing of debt obligations

Liquidity Position

Poor

The liquidity of the company is marked poor due to instance of delay in servicing the interest and principal obligations on the NCD's as confirmed by the Debenture Trustee.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	222.03	224.34
PAT	Rs. Cr.	(278.22)	(280.48)
PAT Margin	(%)	(125.30)	(125.03)
Total Debt/Tangible Net Worth	Times	(1.44)	(2.05)
PBDIT/Interest	Times	(0.01)	(0.20)

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

Not Applicable

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Dec 2023	Non-Covertible Debentures (NCD)	Long Term	90.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	25.00	ACUITE C (Assigned)
	Non-Covertible Debentures (NCD)	Long Term	75.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	11.00	ACUITE C (Assigned)
	Non-Covertible Debentures (NCD)	Long Term	39.00	ACUITE C (Assigned)
	Non-Covertible Debentures (NCD)	Long Term	50.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	149.00	ACUITE C (Reaffirmed)
24 Aug 2023	Proposed Non Convertible Debentures	Long Term	11.00	ACUITE Provisional C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	75.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	90.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	149.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	50.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	39.00	ACUITE Provisional C (Assigned)
02 Nov 2022	Non-Covertible Debentures (NCD)	Long Term	50.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	149.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	90.00	ACUITE C (Assigned)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	75.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	11.00	ACUITE Provisional C (Reaffirmed)
05 May 2022	Non-Covertible Debentures (NCD)	Long Term	50.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	149.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	75.00	ACUITE C (Assigned)
04 Feb 2022	Non-Covertible Debentures (NCD)	Long Term	50.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	149.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Assigned)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Assigned)
09 Dec 2021	Non-Covertible Debentures (NCD)	Long Term	149.00	ACUITE C (Reaffirmed)
	Non-Covertible Debentures (NCD)	Long Term	50.00	ACUITE C (Reaffirmed)

	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Reaffirmed & Withdrawn)
	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Reaffirmed & Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE999H07033	Non-Convertible Debentures (NCD)	02 Nov 2020	7.00	26 Oct 2026	50.00	Simple	ACUITE C | Reaffirmed
Not Applicable	INE999H07058	Non-Convertible Debentures (NCD)	01 Dec 2020	7.00	26 Oct 2026	149.00	Simple	ACUITE C | Reaffirmed
Not Applicable	INE999H07082	Non-Convertible Debentures (NCD)	22 Nov 2022	7.00	26 Oct 2026	90.00	Simple	ACUITE C | Reaffirmed
Not Applicable	INE999H07090	Non-Convertible Debentures (NCD)	04 Oct 2023	7.00	15 Oct 2024	25.00	Simple	ACUITE D | Downgraded (from ACUITE C)
Not Applicable	INE999H07074	Non-Convertible Debentures (NCD)	20 Apr 2022	7.00	26 Oct 2026	75.00	Simple	ACUITE C | Reaffirmed
Not Applicable	INE999H07090	Non-Convertible Debentures (NCD)	04 Oct 2023	7.00	15 Oct 2024	11.00	Simple	ACUITE D | Downgraded (from ACUITE C)
Not Applicable	INE999H07090	Non-Convertible Debentures (NCD)	04 Oct 2023	7.00	15 Oct 2024	39.00	Simple	ACUITE D | Downgraded (from ACUITE C)

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About Acuité Ratings & Research
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