



Press Release

December 20, 2023

LOKHANDWALA KATARIA CONSTRUCTION PRIVATE LIMITED Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	75.00	ACUITE C Assigned Provisional To Final	-
Non Convertible Debentures (NCD)	364.00	ACUITE C Reaffirmed	-
Total Outstanding	439.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of ‘**ACUITE C**’ (read as **ACUITE C**) on Non Convertible Debentures (NCDs) issue of Rs.364.00 crore of Lokhandwala Kataria Construction Private Limited (LKCPL).

Also, Acuite has converted from provisional to final and assigned the long term rating of ‘**ACUITE C**’ (read as **ACUITE C**) on Non Convertible Debentures (NCDs) issue of Rs. 75.00 crore of Lokhandwala Kataria Construction Private Limited (LKCPL) on receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions.

Rationale for rating

The rating reaffirmation takes into account the irregularity and delays in various payments including statutory dues and payments in the past as per the audit report of the company. The rating also takes into account the low financial flexibility along with poor liquidity position of the company.

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

Acuite 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.

Acuite 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 poor liquidity position**

LKCPL has significantly leveraged capital structure marked by poor net worth and debt protection Metrics. The company had a gearing of (1.94) times in FY2023 as against (3.21) times in FY2022. The total outside liability to total net worth (TOL/TNW) of the company stood at (3.00) times as on March 31, 2023 as against (0.52) times as on March 31, 2022. Further, the interest coverage ratio stood at (0.20) times for FY2023 as against (0.52) times for FY2022. The debt service coverage ratios stood at (0.20) times as on March 31, 2023 as against (0.51) times as on March 31, 2022. The deterioration in the financial risk profile is further emphasized by the decline of net worth of the company to Rs. (727.36) crore in FY2023 from Rs. (446.91) crore in FY2022. 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 losses of Rs. 280.32 crore in FY2023. 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

Rating Sensitivities

Timely servicing of debt obligations

All Covenants

None

Liquidity Position**Poor**

LKCPL has poor liquidity marked by the negative net cash losses. The company generated cash losses of Rs.(280.32) - (27.10) crore during the last three years through 2021-23. The current ratio of the company stood at 1.61 times as on March 31, 2023. Acuité believes that the liquidity of the company is likely to remain poor over the medium term on account of negative cash losses as against debt repayments over the medium term.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	224.34	15.77
PAT	Rs. Cr.	(280.46)	(393.19)
PAT Margin	(%)	(125.02)	(2493.49)
Total Debt/Tangible Net Worth	Times	(1.94)	(3.21)
PBDIT/Interest	Times	(0.20)	(0.52)

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, Acuite 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
24 Aug 2023	Non Convertible Debentures	Long Term	50.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	149.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	75.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	90.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	39.00	ACUITE Provisional C (Assigned)
	Proposed Non Convertible Debentures	Long Term	11.00	ACUITE Provisional C (Reaffirmed)
02 Nov 2022	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	90.00	ACUITE C (Assigned)
	Non Convertible Debentures	Long Term	75.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	11.00	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	149.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE C (Reaffirmed)
05 May 2022	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE Provisional C (Reaffirmed)
	Non Convertible Debentures	Long Term	149.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	75.00	ACUITE C (Assigned)
	Non Convertible Debentures	Long Term	50.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Reaffirmed)
04 Feb 2022	Non Convertible Debentures	Long Term	149.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	50.00	ACUITE C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Assigned)
	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Assigned)
09 Dec 2021	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE Provisional C (Withdrawn)
	Proposed Non Convertible Debentures	Long Term	101.00	ACUITE Provisional C (Withdrawn)
	Non Convertible Debentures	Long Term	50.00	ACUITE C (Reaffirmed)
	Non Convertible Debentures	Long Term	149.00	ACUITE C (Reaffirmed)
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	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 C Assigned Provisional To Final
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 C Assigned Provisional To Final
Not Applicable	INE999H07090	Non-Convertible Debentures (NCD)	04 Oct 2023	7.00	15 Oct 2024	39.00	Simple	ACUITE C Assigned Provisional To Final

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About Acuité Ratings & Research

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