

## AJM Developers LLP

December 02, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	27.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
<b>Total Bank Facilities</b>	<b>27.00</b> <b>(₹ Twenty-Seven Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of AJM Developers LLP (AJMDL) are constrained by its post stabilization risk associated with debt funded project and presence in a highly competitive and fragmented industry.

The ratings, however, draws comfort from experienced partners and technically qualified team coupled with location advantage.

### Rating Sensitivities

#### Positive Factors— Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations as marked by total operating income of Rs. 60 crore and above on a sustained basis
- Ability to achieve the envisaged revenue and profitability while maintaining the capital structure.

#### Negative Factors— Factors that could lead to negative rating action/downgrade:

- Project execution and stabilization risk

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### *Post stabilization risk associated with debt funded project*

The firm is developing a project of four-star hotel with 54-room in Dehradun, Uttarakhand. The total project cost of project is Rs 70.32 crore, proposed to be funded through debt of Rs 27.00cr and remaining through equity/unsecured loan infused by partners of Rs. 43.32 crore. The construction part in the project is around 70% completed as on October 31, 2022. The firm has incurred Rs. 45.00 crore on the development of the project as on October 31, 2022. The amount invested is partly funded through equity/ internal accruals of Rs. 35.20 crore and partly through tied up term debt of Rs. 9.80 crore. The project is expected to complete by March, 2023. Any cost overrun due to delay in project implementation shall be met out of partners' contribution. Successful completion of the project within the time and cost estimates will remain critical for the firm.

##### *Presence in a highly fragmented and competitive industry*

The Indian hospitality industry is highly fragmented in nature with the presence of large number of organized and unorganized players spread across various regions. Cyclical nature of the hotel industry and increasing competition from already established and upcoming hotels due to low entry barriers may impact the performance of AJMDL. Though, the demand for hotel rooms is expected to steadily grow in the medium term on account of anticipated increase in commercial and tourism activity and growth of the economy, however, presence of many luxury hotels in the vicinity can exert pressure on occupancy and ARR of the hotel in the medium-term. However, the firm is generating revenue from diversified business, thus, this risk is partially mitigated to a great extent.

### Key Rating Strengths

#### *Experienced promoters and technically qualified team*

Established in 2018, AJM Developers LLP (AJMDL) is managed by its partners Mr. Raj Lumba, Ms. Jasmine Lumba, Mrs. Kiran Lumba and Mr. Surender Mohan Lumba. Mr. Raj Lumba holds experience of around two decades in the similar line of business. He is ably supported by Mrs. Jasmine Lumba and Ms. Kiran Lumba who are graduate and look after the day to day operations of the firm. Mr. Surender Mohan Lumba aged 72 years, is a post graduate. He brings in rich experience of around two decades to the firm. Although the partners have prior minuscule experience in hospitality segment, they are well-versed with construction sector and have adequate acumen about various aspects of business which is likely to benefit AJMDL in the long run.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### **Location advantage**

AJMDL is proposing to open a four-star hotel with convention facility in Dehradun. Dehradun is located in the Doon Valley on the foothills of the Himalayas. The city is famous for its picturesque landscape. It is well connected and in proximity to Himalayan tourist destinations such as Mussoorie, Auli and the Hindu holy cities of Haridwar and Rishikesh along with the Himalayan pilgrimage circuit of Chota Char Dham.

The city is also considered 'City of Schools' where students come from all over India to study. All the above factors may play key role in increase of the footfall.

### **Liquidity: Stretched**

The liquidity position of the firm remains stretched characterized by low envisaged GCA level of Rs. 0.09 crore in FY23 against nil repayment of term loan. The repayment of term loan will begin from FY24 onwards. Post project-implementation risk in the form of stabilization and streamlining of operations to achieve the envisaged scale of operation and risk arising on account of competitive nature of industry is yet to be seen.

**Analytical approach:** Standalone

### **Applicable Criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Hotel](#)

[Project stage companies](#)

[Service Sector Companies](#)

[Construction](#)

### **About the Firm**

Dehradun (Uttarakhand) based AJM Developers LLP (AJMDL) was established in 2018. It is managed by its partners Mr. Raj Lumba, Mrs. Jasmine Lumba, Ms. Kiran Lumba and Mr. Surender Mohan Lumba. AJMDL is engaged in construction of four-star category hotel with convention facility in Dehradun. The firm has acquired ~ 3,553 Sq. M. land for construction of hotel on chakrata road, near clock tower which is a renowned landmark in the city. The construction work of hotel is around 70% completed as on October 31, 2022. It will be operational in the last quarter of FY23.

The hotel will have 54 rooms, 2 banquet halls, 3 conference rooms, 1 restaurant cum bar and one basement parking.

AJMDL has four group concerns named J J Buildtech, J J realtech Private Limited, J J Developers & Real Estate LLP and J J Infra. These concerns construct and rent out commercial space to reputed entities such as Tata Chroma, Reliance, Standard Chartered, Big Bazar etc. Later on, rented space is sold by the group concerns of AJMDL to the investors who are willing to obtain regular rental income.

**Ongoing & Completed contracts:** AJMDL is engaged in the construction a hotel with convention facility in Dehradun (Uttarakhand).

<b>Brief Financials (Rs. crore)</b>	<b>31-03-2021 (UA)</b>	<b>31-03-2022 (UA)</b>	<b>7MFY23 (Prov.) *</b>
Total operating income	0.00	0.00	0.00
PBILDT	0.00	0.00	0.00
PAT	0.00	0.00	0.00
Overall gearing (times)	0.27	0.32	NA
Interest coverage (times)	0.00	0.00	NA

UA: Unaudited; NA: Not Available; Prov.: Provisional

\*refers to the period from April 1, 2022 to October 31, 2022.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure- 4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	2031	27.00	CARE B+; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	27.00	CARE B+; Stable				

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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