

Lavish Buildmart Private Limited

May 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non Convertible Debentures*	400.00	CARE BB (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

*yet to be issued

Rationale and key rating drivers

The rating assigned to the instruments of Lavish Buildmart Private Limited (LBPL) has been placed under watch with negative implications on account of recent media reports stating cancellation of land allotment by the Uttar Pradesh Government. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Further, the rating remains constrained due to high reliance on customer advances, project execution and funding risk, issuance of NCDs, inherent risk associated with Real Estate sector, cyclical and seasonality associated with real estate industry and exposure to local demand-supply dynamic and ongoing ED investigation against promoters of the M3M group.

The ratings, however, continues to draw comfort from experienced promoters with established track record of execution, satisfactory collection and sales momentum albeit nascent stages of construction and high demand for residential housing.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely completion of the project within the estimated timelines

Negative factors

- Slowdown in the sales momentum or major delay in realization of customer advances of the on-going projects
- Any major business disruption in the company due to the news regarding cancellation of land allotment by the Uttar Pradesh Government

Analytical approach:

Standalone

Detailed description of the key rating drivers:

Key weaknesses

Cancellation of land allotment by the UP Government

According to the latest media reports, the Uttar Pradesh Government cancelled the land which was earlier allotted to Lavish Buildmart Private Limited in sector 94 Noida for its ongoing project M3M The Cullinan citing concerns over the non-competitive nature of the bidding process as the government states that the land parcel was awarded based on solitary bid which marginally exceeded the reserved price by just Rs. 5 lakhs.

As per the management, no official notice has been served upon with respect to the news and has made representation to the respective authorities. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Project execution risk and funding risk

The company is developing real estate project by the name of "M3M The Cullinan" comprising of 4 segments out of which Residential and Retail segment has been launched in June 2023 and the Office and Mall segment will be for leasing purpose and are yet to be launched.

Since inception of the project, the company has incurred Rs. 713 cr out of the total Rs. 4365 cr (combined cost for all the projects) that is, approximately 16% of the total project cost till December 31, 2023. Further, the company has incurred Rs. 85 cr out of the total Rs. 2364 cr on the construction, that is, approximately 4% of the total construction cost as it is at excavation stage and

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

has been recently launched. The project is expected to complete by April 2028, thus going forward the timely completion of the project remains critical from the credit perspective.

Further, the project **M3M The Cullinan** is highly dependent on customer advances as all the 4 segments are to be completed through customer advances including repayment of debt for land acquisition. Considering that the leased purpose project will not generate cash inflow during the initial period, therefore the construction for the same will be funded through either through surplus arising from two already launched project or additional construction finance funding or promoter equity. It may be noted that the company has committed receivables of Rs.2010 crores (Residential and retail segment) as on March 31, 2024 which covers only ~50% of the balance project cost reflecting project funding risk. Therefore, considering large part of the construction yet to be done, company is highly dependent on regular flow of sales and customer advances for timely completion of all the projects and debt repayment.

High reliance on customer advances

The company has acquired the land for the ongoing project initially through promoter equity infused in the form of unsecured loan. However, considering that the project has been launched and there is moderate level of sales momentum and build up of customer advances, the company is now proposing to repay the unsecured loan through the issuance of proposed NCD. The said NCD is repayable over period of 3 years with initial moratorium of 5 quarters. Therefore, considering this the company is highly dependent on customer advances for timely repayment of debt and construction of the ongoing project.

Issuance of NCDs

Lavish Buildmart Private Limited will be taking debt in the form of NCDs (facility is yet to be availed) amounting to Rs.400 crores subscribed by Asia Pragati Strategic investment Fund which are expected to be infused in Q4FY24. The NCDs will be used for the purpose of land payments for 'M3M The Cullinan' project or for new acquisition and for the development of the project 'M3M The Cullinan'.

As per the term sheet, there is subordination of unsecured debt availed by LBPL from all related party forming a part of the M3M group. The unsecured loans amounting to Rs.360 crores taken from its associate concern Union Buildmart Pvt Ltd during FY23 for land acquisition of 'M3M The Cullinan' are expected to be paid through NCDs of Rs. 400 crores. It may be noted that the accumulated interest payment on unsecured loans are subordinated to the NCDs and will be repaid after the payment of NCDs amounting to 400 crores.

The repayment of NCDs will be made from the cash flows of the project 'M3M The Cullinan'. The interest rate on NCDs is 15% p.a of cash coupon rate with IRR of 18.5% p.a and the same is proposed to be paid in 7 equal quarterly instalments starting from Q1FY26 ending Q3FY27 after moratorium period of 5 quarters.

Inherent risk associated with Real Estate sector

For Real Estate sector, with consumers becoming more discerning, ready-to-move-in homes will be the main demand drivers in the coming period as well. Developers will continue to focus on reducing their present inventory, before launching new projects. The developer's track record, quality of construction and delivery timelines, will be crucial aspects that home buyers will consider, in their purchase decisions. With RERA in place, the investment environment is also expected to improve. The expected capital inflow would help the segment.

Cyclicality and seasonality associated with real estate industry and exposure to local demand-supply dynamic

The company is exposed to the cyclicality associated with real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. This exposes these companies to the vagaries of property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

Ongoing ED investigation against promoters of the M3M group

The promoters of the M3M India Pvt Ltd (parent company of Lavish Buildmart) have been facing ED enquiry under which the promoters (Mr. Roop Kumar Bansal, Mr. Basant Bansal and Mr. Pankaj Bansal) were detained for period of 3 months and later on released on bail by the regulatory authority. The ED charges were related to two matters pertaining to unauthorized transaction with IREO group for total value of Rs.400cr and favourable outcome by Judge Sudhir Parmar for the cases related to M3M group legal cases. Regarding the first issue of unauthorized transaction of Rs.400cr as per the company, the dealing was on arm length basis and also as a precautionary measure M3M group has submitted the ownership document of a land parcel with estimated market value of Rs.400cr with the regulatory authorities. The said arrangement is done to avoid any major business disruption going forward. In the second case, as per the company in the past no case of M3M group has been heard in the court of Justice

Sudhir Parmar. It may be noted that none of them is the director in Lavish Buildmart Private Limited (LBPL), however M3M India Pvt Ltd holds 100% stake in LBPL. Therefore considering any major adverse decision against the promoter of the company or any entity, impacting the financial risk profile of the group as a whole or Lavish Buildmart, would remain a rating concern.

Key strengths

Experienced promoters with established track record of execution

Incorporated in 2007, Lavish Buildmart Private Limited (LBPL) is engaged in real estate development in Noida region. LBPL is a part of M3M group which has a long track record of operations in the real estate sector. M3M India Private limited is the holding company of LBPL having 100% shareholding in the company.

The directors of LBPL are Mr. Vijay Kumar Aggarwal and Mr. Anuj Kumar Tiwari. The directors have prior experience of construction & development of various housing projects. The company belongs to M3M Group, which has a long track record of operations in the real estate sector. Group has an history of delivering projects before the due date and always known for preponing the project delivery date which is being recognised as the top priority of the real estate buyers.

Satisfactory collection and sales momentum albeit nascent stages of construction

The company has launched 2 out of 4 segments i.e Residential and Retail in June 2023. Despite of recently launched project at nascent stages of construction, the company has been able to sell 47% of the total saleable area (25% sold till Dec'23). The healthy booking status is also attributable to steady sales momentum. In the past 10 months ended March 31, 2024, the company has sold around 791 units out of the 1712 units with the sales value of Rs.2464 crore.

Since inception of the project (June 2023 – March 2024), the company has been able to garner collections of Rs.454 crores i.e 20% of the sales value reflecting average monthly collection of Rs.45 crores. Therefore, months to sell the unsold inventory (launched projects) works out at close to 20 months, reflecting moderate market standing of the project and developer. Also given the past response in the project and the current market scenario the ability of the developer to sell the remaining area appears reasonable.

It may be noted that the other 2 segments of the company i.e Office and Mall will be kept for leasing purpose.

High demand for residential housing

The industry's revenues are likely to grow on the back of a continuation in demand for residential housing during the FY24. Moreover, developers are likely to pass on any rise in input costs through price hikes. This is likely to result in margin expansion for the industry. Although residential sales are projected to grow in the year 2023-24, the pace of growth will be slower as compared to 2022-23. Increase in housing loan rates and property prices, slowdown in hiring in key employment generating sectors and lower salary growth is likely to result in a moderation in housing sales in the current year.

Liquidity: Adequate

The liquidity position of the company remains adequate as reflected by moderate customer collection and sales momentum. The company has confirmed receivables stood Rs.2010 crores from the ongoing project as on March 31, 2024. Going forward considering moderate sales and collection momentum as on March 31, 2024, the company will be able to mitigate funding risk. Since inception of the project (June 2023 – March 31, 2024), the company has been able to garner collections of Rs.454 crores i.e 20% of the sales value reflecting average monthly collection of Rs.45 crores. Further, the company is having cash and bank balance of Rs.17.82 crores as on March 31, 2023.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in 2007, Lavish Buildmart Private Limited (SLPL) is engaged in real estate development in Noida region and is the part of M3M group which has a long track record of operations in the real estate sector. M3M India Private limited is the holding company of LBPL having 100% shareholding in the company.

LBPL has 1 ongoing project under the name "M3M The Cullinan" i.e M3M The Cullinan (residential), M3M The Cullinan (office), M3M The Cullinan (Retail) and M3M The Cullinan (Mall). The project is RERA approved and is located in Sector 94, Noida with total saleable area of 25.23 lsf and leasable area of 14.83 lsf.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	101.63	28.31
PBILDT	48.80	14.88
PAT	35.15	6.77
Overall gearing (times)	0.25	10.56
Interest coverage (times)	216.51	2.96

A: Audited; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

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
Debentures-Non Convertible Debentures	NA*	NA*	NA*	NA*	400.00	CARE BB (RWN)

*Not Applicable as the NCDs are proposed

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	400.00	CARE BB (RWN)	-	1)CARE BB; Stable (21-Feb-24)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation																		
Covenants																			
I. Sales Milestones	Sales milestones per quarter for Residential and Retail segment: <table border="1"> <thead> <tr> <th>Period</th><th>Residential (no.of units)</th></tr> </thead> <tbody> <tr> <td>Q1FY25-Q2FY26</td><td>15</td></tr> <tr> <td>Q3FY26-Q4FY27</td><td>20</td></tr> <tr> <td>Q1FY28</td><td>30</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Period</th><th>Retail (no.of units)</th></tr> </thead> <tbody> <tr> <td>Q1FY25</td><td>30</td></tr> <tr> <td>Q2FY25-Q1FY26</td><td>50</td></tr> <tr> <td>Q2FY26-Q1FY27</td><td>60</td></tr> <tr> <td>Q2FY27-Q1FY28</td><td>70</td></tr> </tbody> </table>	Period	Residential (no.of units)	Q1FY25-Q2FY26	15	Q3FY26-Q4FY27	20	Q1FY28	30	Period	Retail (no.of units)	Q1FY25	30	Q2FY25-Q1FY26	50	Q2FY26-Q1FY27	60	Q2FY27-Q1FY28	70
Period	Residential (no.of units)																		
Q1FY25-Q2FY26	15																		
Q3FY26-Q4FY27	20																		
Q1FY28	30																		
Period	Retail (no.of units)																		
Q1FY25	30																		
Q2FY25-Q1FY26	50																		
Q2FY26-Q1FY27	60																		
Q2FY27-Q1FY28	70																		
II. Cash Coupon rate	15.0% compounded monthly and payable in accordance with the Coupon Payment Period																		
III. IRR	The IRR of the transaction shall be 20.0% till the secured obligation (including Union Debentures) is above INR 400 crores. 18.5% once secured obligation (including Union Debentures) is below INR 400 crores. This IRR shall be an all-inclusive IRR including any Taxes.																		
IV. ISRA	Cash coupon of 3 (three) months																		
III. Repayment Terms	Repayment in accordance with payment period set out below: <table border="1"> <thead> <tr> <th>Quarter</th><th>% of Principal / Quarter</th></tr> </thead> <tbody> <tr> <td>1 to 5</td><td>0%</td></tr> <tr> <td>6 to 12</td><td>14.285%</td></tr> </tbody> </table>	Quarter	% of Principal / Quarter	1 to 5	0%	6 to 12	14.285%												
Quarter	% of Principal / Quarter																		
1 to 5	0%																		
6 to 12	14.285%																		
IV. Lock- in	18 months from the First Drawdown Date. However, lock-in period requirement would not apply in case of payment / pre-payment through project receivables offered as security																		

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

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

Note on the 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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