

AJM Developers LLP (Revised)

September 23, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. (CARE Ratings) has been seeking information from AJM Developers LLP to monitor the rating(s) vide e-mail communications dated July 30, 2024; August 07, 2024; August 20, 2024; September 17, 2024, among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, AJM Developers LLP has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on AJM Developers LLP's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING*. Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings are constrained on account of the firm's post stabilization risk associated with debt funded project pertaining to setting up a hotel in Dehradun, presence in highly fragmented and competitive industry and cyclical and seasonal nature of hospitality industry. The rating, however, draws comfort from experienced and resourceful promoters and locational advantage of the project.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on October 26, 2023, the following were the rating strengths and weaknesses.

Key Weakness

Post stabilization risk associated with debt funded project

The firm is developing a project of four-star hotel with 54 keys in Dehradun, Uttarakhand. The total cost of project is ₹74.00 crore which is proposed to be funded through debt of ₹30.00 crore and remaining through equity/unsecured loan infused by partners of ₹44.00 crore (Debt: Equity of 41:59). The firm has incurred ₹39.44 crores up to June 07, 2023, that is entirely funded through own funds only. Out of which ₹34.45 crore is in form of capital & ₹4.99 crore is in form of unsecured loans. The date of commencement of commercial operation is November 2025. 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 a key monitorable from credit perspective.

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 AJM. 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 other luxury hotels in the vicinity can exert pressure on occupancy and average room rent 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.

Cyclical and seasonal nature of hospitality industry

The hotel industry is highly seasonal in nature with non-festive and non-holiday months facing a slack in demand. On the other hand, the industry is also cyclical in nature wherein the customers & corporates don't tend to spend more on hotel stays in case of economic slowdown. Thus, the ability of the company to achieve the projected occupancy level along with projected room rentals amidst seasonal & cyclical scenario would be critical from the credit perspective.

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

Key strengths

Experienced & resourceful promoters

Established in 2018, AJM Developers LLP is managed by its partners Raj Lumba who holds experience of more than two decades in the real estate & hotel industry. He is ably supported by Jasmine Lumba and Kiran Lumba who are graduate and look after the day-to-day operations of 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 AJM in the long run. Partners are resourceful as evident by combined net worth of all the partners which stood at ₹115.50 crores, as on March 31, 2022. Partners would be actively supporting as and when any requirement arises.

Locational advantage

AJM 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.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Project stage companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Dehradun (Uttarakhand) based AJM Developers LLP was established in year 2018. Partners of the firm are Raj Lumba, Jasmine Lumba, Kiran Lumba and Surender Mohan Lumba. The firm is currently under project stage. A four-star hotel of the firm is in process of establishment at Chakrata road, Dehradun. It will be a 10-floor building with restaurant on ground floor, banquet halls on 1st & 2nd floor. Third floor is a service floor. At 4th floor, there will be a smaller banquet hall, a bar restaurant and 2 conference halls. At 5th and 6th floor, there will be 54 rooms (48 standard rooms and 6 deluxe rooms). The hotel building will be equipped with 8 high speed lifts. Promoter Raj Lumba has more than 2 decades of experience in the real estate business and has completed around 10 real-estate projects.

Brief Financials: Not Applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	Proposed	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (06-Sep-23) 2)CARE B; Stable; ISSUER NOT COOPERATING* (03-Jul-23)	1)CARE B+; Stable (02-Dec-22)	-
2	Fund-based - LT-Term Loan	LT	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (26-Oct-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

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

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

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About us:

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