

**Lodha Finserv Private Limited**  
**March 26, 2020**

**Ratings**

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term bank facilities	50.00 (Rupees Fifty Crore only)	CARE BBB; Stable [Triple B; Outlook: Stable]	Reaffirmed

*Details of instruments / facilities given in Annexure – 1*

**Detailed Rationale and Key Rating drivers**

The rating assigned to the bank facilities of Lodha Finserv Private Limited (LFPL) continues to take into account its promoters track record in the real estate segment, experienced management and comfortable capital adequacy. The rating remains constrained by initial stages of operation, small size with limited growth in loan book amidst challenging funding scenario for NBFCs, low seasoning of the portfolio and exposure to relatively riskier real estate sector. Scalability of business, profitability, asset quality, liquidity and capitalization levels are the key rating sensitivities for LFPL.

**Rating sensitivities***Positive factors*

- Scaling up of business with maintenance of asset quality
- Consistent fund infusion by the parent company
- Resource raising ability

*Negative factors*

- Inability to raise resources and grow business

**Detailed description of Key Rating Drivers****Key Rating Strengths*****Promoters track record in the real estate segment***

LFPL is a wholly owned subsidiary of Lodha Ventures Holdings Private Limited (LVHPL). Mr. Abhinandan Lodha, promoter of the entity and member of Lodha Family holds 99.87% stake in LVHPL as on December 2019 and has experience in the field of finance, sales and marketing. Established in 1980, Lodha Group is engaged into real estate development and has presence in India and United Kingdom. While majority of the group's properties are located in Mumbai, it also has a presence in Hyderabad, Pune and London.

***Experienced Management***

Mr. Abhinandan Lodha, Promoter of LFPL manages the financial services business at Lodha Ventures group. He holds Masters Degree in Business Administration (MBA) from the University of Cardiff, UK. He has experience in Finance, Sales and Marketing in real estate business at the Lodha Group. Mr. Sandeep Saxena is the Senior Vice President of Treasury and Finance function and is a Chartered Accountant with over 30 years of experience in accounts, finance and taxation. Mr. Vishal Dawda is the Credit and Business Development Head and looks after business origination and relationship management at LFPL. He has over 15 years of experience in fund raising, corporate finance and M&A. Ms. Poornima Prabhu is the Head of legal department. She has obtained a bachelor's degree in Law from the Mumbai University and has been associated with organizations such as JSA and Khaitan in the past with experience of over 15 years.

***Comfortable Capital Adequacy***

The company's tangible net worth was Rs.259.24 crore as on March 31, 2019 (including Compulsorily Convertible Debentures (CCDs) worth Rs.172.28 crore) as compared to Rs.257.86 crore on March 31, 2018 (including CCDs worth Rs.227.95 crore). The tangible net worth stood at Rs.276.14 crore as on December 31, 2019 including CCDs worth Rs.172.28 crore.

CAR stood at 59.34% with Tier I CAR at 29.67% at the end of 9MFY20. Equity was infused to the tune of Rs.18.56 crore in FY19.

***Key Rating Weaknesses***

***Initial stages of operation, small size and low seasoning of the portfolio***

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

<sup>2</sup> As stipulated vide SEBI circular no SEBI/HO/MIRSD/DOS3/CIR/P/2019/70 dated June 13, 2019

Due to initial years of operations, the size of business is small. The seasoning of portfolio is limited. As a result, its asset quality performance through different economic cycles and geographies is yet to be established. Also, the stress in the real estate sector coupled with the current NBFC liquidity crisis has hampered the growth of company's loan book. The total assets stood at Rs.325.20 crore out of which loans advanced to customers amounted to Rs.28.47 crore as on March 31, 2019. Loans extended to related parties and other group entities aggregated to Rs.30.48 crore as on March 31, 2019. While the total assets stood at Rs.366.21 crore, only one developer loan amounting to Rs.30 crore remained outstanding as on December 31, 2019 in the company's customer loan book. The balance loan book of Rs.111.18 crore accounted for short term loans and advances given to related parties and other group entities.

#### **Exposure to relatively riskier sector**

The company is relatively a new player in the lending business and is still in the process of building the portfolio. The company caters to wholesale financing which comprises of players in a relatively riskier real estate sector. However, these exposures are secured against property of the real estate project of the concerned developer.

#### **Industry Outlook**

The NBFC sector has witnessed superior growth rates in the last three years ended FY18, mainly driven by slowdown in credit flow from the banks as they grapple with asset quality challenges and capital constraints. The same, however, is being put to test under the prevailing liquidity tightness and changed sentiment towards NBFCs.

The sector witnessed a liability-side disruption post default by a large infrastructure lender. NBFCs running a negative asset-liability gap in the shorter time buckets had to react to the situation by dipping into their liquidity reserves and/or resorting to portfolio sales to banks to generate liquidity. The changed scenario on the liability front is likely to impact the portfolio growth as well as profitability of the NBFCs in the medium term. NBFCs having presence in the wholesale and real-estate lending space are likely to be impacted more vis-à-vis their retail counterparts. NBFCs will have to adjust their business models in light of the current scenario and re-visit their growth plans. Portfolio growth, asset quality, liquidity and profitability will be the key monitorables for the sector going forward.

#### **Liquidity profile - Adequate**

LFPL's borrowings comprise of Rs.39.61 crore loan against share from India Infoline Finance Limited, Rs.19.24 crore CC facility from Yes Bank and short term loans from related parties and body corporates worth Rs.26.61 crore as on December 31, 2019. Moreover, the company also has compulsorily convertible debentures worth Rs.172.95 crore subscribed by the parent company. LPFL has current investments worth Rs.171.94 crore as on December 31, 2019. Cash and bank balance stood at Rs.7.63 crore at the end of 9MFY20.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Factoring linkages in ratings](#)

[Financial ratios – Financial sector](#)

[Non-Banking Finance Companies](#)

#### **About the company**

Lodha Finserv Private Limited (LFPL), formerly known as Sai Ishwer Finvest Private Limited, is a non-systemically important NBFC - ND registered with the RBI. Incorporated in February 2008, the company is a wholly owned subsidiary of Lodha Ventures Holdings Private Limited. Mr. Abhinandan Lodha, son of Mr.Mangalprabhat Lodha (owner of Lodha Family Trust) holds 99.87% in Lodha Ventures Holdings Private Limited (LVPL) as on December 2019. Lodha family trust is engaged in real estate business and is owned by Mr. Mangalprabhat Lodha and Mrs. Manjula Lodha. The family business was divided amongst their two sons, Mr. Abhishek Lodha and Mr. Abhinandan Lodha. Currently, Mr. Abhishek Lodha is heading the real estate piece and Mr. Abhinandan Lodha is leading the finance business. Lodha Finserv Private Limited provides financing solutions to developers in affordable housing segments.

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19 (A)</b>
Total operating income	35.17	17.04
PAT	8.19	1.29
Interest coverage (times)	5.05	1.30
Total Assets	285.48	325.20
Net NPA (%)	Nil	Nil
ROTA (%)	4.37	0.42

A: Audited

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

**Any other information:** Not Applicable

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

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE BBB; Stable

**Annexure – 2: Rating history of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	50.00	CARE BBB; Stable	-	1)CARE BBB; Stable (31-Dec-18) 2)CARE BBB; Stable (13-Apr-18)	-	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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