

Lotus Infra Realty Limited (Revised)

March 06, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long- term Bank Facilities	12.50	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total	12.50 (Rupees Twelve crores and fifty lakh only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Lotus Infra Realty Limited (LIL) is primarily constrained on account of project implementation risk along with cost overrun in projects undertaken, saleability risk associated with un-booked units and subdued outlook for the cyclical real estate sector.

The rating, however, derives strength from the experienced management with established track record of group companies in executing real estate projects and its location advantage with moderate booking and booking advances.

The ability of the company to complete its on-going real estate project without any time and cost overrun along with the timely booking of un-booked flats are the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Weakness
Project implementation risk and saleability risk for un-booked units along with cost overrun of projects undertaken
Shri Sai Lotus City

LIL is constructing a residential project, ShriSai Lotus City. The project has 247 units and has started construction work on project from 2012. It has envisaged project to be completed by 2022.

The company has envisaged total project cost of Rs.79.95 crore towards the project to be funded through internal accruals of Rs. 12.30 crore, term loans of Rs. 24.00 crore, unsecured loans from promoters and relatives of Rs. 23.00 crore and balance through customer advances.

As on February 25, 2019, the project is on finishing stage and incurred total cost of Rs.80.03 crore towards the project which includes cost overrun amounting to Rs.0.08 crore due to increase in cost of material consumed funded through the term loan of Rs.24.00 crore, customer advances of Rs. 44.03 crore and remaining through internal accruals. Further, the cost is further expected to increase by Rs.5.00 crore. The project is envisaged to be completed by 2022 and hence, project implementation risk is associated with LIL to complete the project within envisaged time

Further, saleability risk is also associated with un-booked units of 127 units. However, the same is mitigated as the company has already sold 43.33% of the total units.

Lotus Covent Court

LIL is also constructing a commercial project named Lotus Covent Court. The project has 196 units. It has started construction work on project from 2013 and has envisaged that project to be completed by end of 2022.

The company has envisaged total project cost of Rs.65.99 crore, which includes cost overrun amounting to Rs.10.00 crore due to structural changes as quality of ground level soil (soft soil) which resulted in additional expenses towards the project to be funded through internal accruals of Rs. 6.00 crore, term loans of Rs. 25.00 crore, unsecured loans from promoters and relatives of Rs. 27.78 crore and balance through customer advances.

As on February 25, 2019, the project is on finishing stage and incurred total cost of Rs.60.65 crore towards the project which is funded through the term loan of Rs.25.00 crore, customer advances of Rs. 8.56 crore, unsecured loans of Rs.21.09 crore and remaining through internal accruals. The project is envisaged to be completed by 2022 and hence, project implementation risk is associated with LIL to complete the project within envisaged time and cost parameters.

Further, saleability risk is also associated with un-booked units of 175 units. However, the risk is mitigated to an extent as the company is in touch with top brands such as Big Bazar etc. Further the company has changed its model and previously it was under 100% sale, now its been decided to sale 50% and rest will either be given on lease and LIL will also run a three screen- multiplex screen under its own name in the mall.

Subdued outlook for the cyclical real estate sector

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

The real estate industry in India is highly fragmented with most of the real estate developers having a city-specific or region-specific presence. Real estate investments worldwide have been driven by one or several themes based on the economic growth. The major drive in India is expected to come from housing, organized retailing, hospitality etc. Strong economic growth, huge population, large skilled workforce, growing employment and increasing purchasing power has kick-started the growth in real estate market in India.

Key Rating Strengths

Experienced management

The directors are actively involved in day-day affairs of the company. Mr Niraj Chourasiya, Director having more than 25 years of experience, electrical engineer by qualification and looks after the overall affairs of the company. Further, he is supported by other directors, Mr Vinay Chourasiya, MBA by qualification having 13 years of experience and looks after the sales and marketing department of the LIL, Ms Anjana Chourasiya and Ms Vimla Chourasiya are post graduate by qualification having 15 years of experience and looks after the administration and human resources department of the company

Furthermore, they are supported by second tier management, Mr. Aditya Dixit, CFO, post graduate by qualification have wide experience of around 15 years in real estate sector, Mr. Krishna Kumar Swarnkar, Project head, has diploma in civil and has upto two decades of experience in the industry, Mr Faisal Wase, General Manager, MBA by qualification having 24 years of experience, Mr. Pankaj Naidu, CAO, ICWA by qualification, having more than two decades of experience and Mr. Namit Shrivastava, Marketing Manager, MBA by qualification having 22 years of experience in the industry. The company has more than 100 qualified and experienced staff which helps in smooth functioning of the LIL.

Established track record of the group companies along with established brand name in Madhya Pradesh real estate market

The directors has established other companies in same industry namely; Peptech Construction Private Limited, Peptech Housing Private Limited and Peptech Builders & Developers Private Limited

The group companies have a significant track record of executing real estate projects in wide range of segments viz. Residential and commercial projects in Madhya Pradesh.

Over the last one decade, the Group companies have already developed projects in both in residential and commercials type.

Location advantage and successful completion of multiplex by LIL

ShriSai Lotus City and Lotus Covent Court is located strategically on National Highway-75; towards Nagod close to reputed educational institutes, MED-CARE units, specialty hospitals, commercial complexes, Government Offices, well developed colonies and others major attractions at prime location of Bhopal.

Further, the company has successfully implemented and running a multiplex screen and has also completed the a multi storey residential project named “ Kriti Apartment” in Indore

Moderate booking with moderate booking advances in SSLC

The projects have 443 units which include 247 units in SSLC and 196 units in LCC. Out of 247 units in SSLC, it has sold 107 units (43.33% of total units) and booked another 13 units till February 24, 2019 and hence, reflecting moderate booking status of the project.

Further, it has received booking advances of Rs.44.03 crore in SSLC till February 24, 2019 which is more than 2.13 times of envisaged booking advances and Rs.8.56 crore in LCC which is 1.18 times of envisaged booking advances. Hence, the status of booking appears to be comfortable looking to the duration of the project and cost incurred in this regard

Analytical approach: Standalone

Applicable Criteria

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

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

[Financial ratios – Non-Financial Sector](#)

Background of the company

Indore (Madhya Pradesh) based Lotus Infrarealty Limited (LIL) was incorporated as a closely held limited company in December 2010 by Chourasiya family. LIL is formed with a purpose to construct commercial and residential projects as well as construction and running of multiplex cinema under its own brand name. Currently, LIL has undertaken one residential project named “ShriSai Lotus City” and on commercial project named “Lotus Convent Court”. The company is also running multiplex 2 screen cinema is Satarpura.

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Total operating income	12.54	17.18
PBILDT	3.23	4.73
PAT	0.67	1.10
Overall gearing (times)	6.25	5.06
Interest coverage (times)	2.04	1.74

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Abhishek Jain

Tel: 0141-4020213/14

Cell: 9251265875

Email: abhishek.jain@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Term Loan	-	-	March, 2025	12.50	CARE BB-; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	12.50	CARE BB-; Stable	-	-	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 9198190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 9198196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 9199675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 9198209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91-0172-490-4000/01
 Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691