

Lotus Infrarealty Limited

April 01, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	12.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Revised from CARE BB-; Stable (Double B Minus; Outlook:Stable) "on the basis of best available information"
Total	12.50 (Rupees Twelve Core and fifty lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

CARE has been seeking information from Lotus Infrarealty Limited (LIL) to monitor the ratings vide e-mail communications dated January 01, 2020, January 20, 2020, January 21, 2020 February 06, 2020, February 22, 2020, March 03, 2020, March 13, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, LIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating of LIL bank facilities will now be denoted as **CARE B+; 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 revision in the ratings of LIL takes into account significant decline in its total operating income in FY19 over FY18. The ratings further continue to remain constrained of project implementation risk along with cost overrun in projects undertaken, saleability risk associated with un-booked units, stretched liquidity position and subdued outlook for the real estate sector.

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

Detailed description of the key rating drivers

At the time of last rating on March 06, 2019, the following were the rating strengths and weaknesses (Updated for the information available of FY19 from MCA site)

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 and has envisaged that 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

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

*Issuer did not cooperate; Based on best available information

Further, saleability risk is also associated with un-booked units of 127 units. However, the same has 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 Convent 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 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.

Significant decline in FY19

During FY19, the revenue from sale of flats stood low at Rs 3.02 Crore as against Rs 17.18 Crore in FY18. However, the profitability margins i.e. PBILDT margins stood comfortable at 117.21% and 13.07 % in FY19 as against 27.55% and 6.42% in FY18

Subdued outlook for the cyclical real estate sector

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.

Stretched liquidity position

The liquidity position of the company stood stretched with current ratio and quick ratio at 2.85 times and 0.26 times in FY 19 respectively.

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 commercial 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

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning ‘outlook’ and ‘credit watch’ to Credit Ratings](#)

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

[Rating Methodology-Real Estate Sector](#)

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

About 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 one commercial project named “Lotus Convent Court”. The company is also running multiplex 2 screen cinema at Satarpura.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	17.18	3.02
PBILDT	4.73	3.54
PAT	1.10	0.40
Overall gearing (times)	5.06	3.41
Interest coverage (times)	1.74	1.45

A: Audited

Status of non-cooperation with previous CRA: Brickwork has conducted the review on the basis of best available information and has classified the Lotus Infrarealty Limited as “Not cooperating” vide its press release dated November 06, 2019.

Any other information: None

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-Term Loan	-	-	March, 2025	12.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information

Annexure-2: Rating History of last three years

Sr.	Name of the	Current Ratings	Rating history
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No.	Instrument/Bank Facilities	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-Term Loan	LT	12.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (06-Mar-19)	-	-

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.

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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.

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