

Press Release

Lucina Land Development Limited

March 06, 2020

Rating

Sr. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1	Fund based (Long Term Loan)	200.00	IVR AA-(CE)* [Under Credit Watch with developing implications]

* Based on the Credit Enhancement in the form of unconditional & irrevocable Corporate Guarantee issued by Indiabulls Real Estate Limited (IBREL) to the lenders of the Company for the repayment obligation on the said facility.

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from support from diversified Group with experienced promoters, available Land Bank and strategic location of the project with all necessary approvals. The rating however is constrained by slow down in real estate sector, nature of real estate industry subject to regulations and high dependence on customer advances.

The rating of the instrument is based on the Credit Enhancement in the form of unconditional & irrevocable Corporate Guarantee issued by Indiabulls Real Estate Limited (IBREL) to the lenders of the Company for the repayment obligation on the said facility. Given these attributes, the guarantee provided by IBREL is adequately strong to result in an enhancement in the rating of the said instrument to **IVR AA-(CE) [Under Credit watch with developing implications]** against the **Unsupported Rating of IVR A+ [Under Credit watch with developing implications]**.

The Rating is under Credit watch with developing implications on account of the impending merger of certain ongoing, completed and planned residential and commercial projects of Embassy Property Developments Private Limited ('Embassy') with IBREL.

Key Rating Sensitivities:

- **Upward Rating Factor** - Completion of project within stipulated cost & timely sale of flats and adequate cash flow generation may lead to a positive rating action.
- **Downward Rating Factor** - Inadequate and untimely cash flows to the ESCROW account to meet the debt obligations for the projects, changes in regulatory requirement & risk associated with real estate industry and deterioration in risk profile of Guarantor may lead to a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Support from Diversified Group with experienced promoters

Indiabulls is a well-diversified group led by its founding chairman Mr. Sameer Gehlaut. It has emerged as one of the leading business conglomerates in country with business interests across sectors like consumer finance, real estate, infrastructure & construction leasing, pharmaceuticals etc. Mr. Gehlaut is accompanied by Mr. Narendra Gehlaut who also has leadership experience of more than a decade in construction industry and Indian real estate market. IBREL would continue benefiting from its promoters' and management personnel's industry experience.

Lucina Land Development Limited (LLDL) is a fully owned subsidiary of Indiabulls Real Estate Limited (IBREL). IBREL has given a Corporate Guarantee to Indusind bank for Term Loan of INR 200 Crore, via execution of Letter of Guarantee dated 28-Sep-2018.

Available Land Bank

Indiabulls Real Estate Limited (IBREL) has a fully paid Land Bank of 1,929 acres, of which around 95% is spread across metro cities of Mumbai, NCR and Chennai region. Additionally, the company also has 1,424 acres of SEZ land in Nashik, Maharashtra. With its focus on core markets of Mumbai and NCR, this portion of land bank would tend to complement the current business strategy.

Strategic Location of the project with all necessary approvals

Lucina Land Development Limited (LLDL) is involved in developing a project - 'Indiabulls Greens & Park' located at Panvel. Panvel is a rapidly developing location. Both social and

civic infrastructure around the project site is in good shape. The area enjoys good connectivity to other neighbouring area like Kamothe, Kharghar and Talaja. Panvel, due to its strategic location, has lately transformed itself from the restive complexes to highly developed commercial & residential hub.

Infrastructural development has given new lease to the town which results in making it as one of the most sought after property in Navi Mumbai.

Panvel is very well connected within the striking distance to Lonavla and Pune on one hand, and to CST and Thane on the other.

Key Rating Weaknesses

Slow down in real estate sector

The real estate sector in India is witnessing slowdown due to range of reasons including macro economic factors resulting in higher inventory all over. The piling inventory is making it more difficult for the developers to meet their delivery commitments aggravating the problem.

Nature of real estate industry subject to regulations

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The central law RERA provided the basic framework of consumer protection in real estate transactions: raising disclosure requirements of builders, bridging existing information asymmetry between buyers and builders, and ring-fencing the money paid upfront by buyers.

High dependence on Customer advances

Primarily, the company depends on advances received from its customers and external borrowings to fund its operations. With the strategy to reduce the total debt to zero, IBREL's future operations would depend largely on the advances received from the customers. Any unexpected deviations from the customer receivables would result in delay in company's commitments and have a contagion effect on its financials.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Infrastructure companies
- Rating Methodology for Structured Debt Transaction (Non-securitization transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The Company's sales are expected to rise with an increase in the number of sold flats. The company maintains moderate cash and bank balance to meet its liquidity requirements, thus indicating Adequate liquidity position of the company in meeting its debt obligations.

About the company

Lucina Land Development Limited (LLDL) was incorporated on July 25, 2006 as Lucina Land Development Private Limited and is engaged in development of real estate project & other related ancillary activities. The Company is involved in developing a project - 'Indiabulls Greens & Park' located at Panvel. Lucina Land Development Limited is a fully owned subsidiary of Indiabulls Real Estate Limited (IBREL). IBREL has given a Corporate Guarantee to Indusind bank for Term Loan of INR 200 Crore, via execution of Letter of Guarantee dated 28-Sep-2018.

Financials (Standalone)

For the year ended / As on	INR in Crore	
	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	216.42	1222.27
EBITDA	94.73	430.19
PAT	-53.31	436.52
Total Debt	1363.69	1202.71
Tangible Net Worth	-1412.33	-975.63
EBIDTA Margin (%)	43.77	35.20
PAT Margin (%)	-23.39	35.48

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facility	Term Loan	200.00	IVR AA-(CE)* [Under Credit watch with developing implications]	--	--	--

** Based on the Credit Enhancement in the form of unconditional & irrevocable Corporate Guarantee issued by Indiabulls Real Estate Limited (IBREL) to the lenders of the Company for the repayment obligation on the said facility.*

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Fund Based Term Loan	--	9.45% p.a.	March-2023	200.00	IVR AA-(CE)* [Under Credit watch with developing implications]

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