

Press Release

Brickwork Ratings assigns “BWR A-(SO)” for Lodha Pranik Landmark Developers Pvt. Ltd’s proposed structured secured NCD Issue of ₹180 crores with a tenor of up to 36 months

NCD Issue Rating: BWRA-(SO)

Outlook : Stable

Brickwork Ratings (BWR) has assigned BWR A-(SO) (Pronounced A Minus : Structured Obligation) Rating for Lodha Pranik Landmark Developers Pvt. Ltd’s proposed structured secured NCD issue of ₹180 crores with a tenor of up to 36 months. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

Lodha Pranik Landmark Developers is a SPV of Lodha Developers Ltd. and as such BWR has essentially relied upon the audited standalone results of the promoter Company Lodha Developers Ltd (LDL) for FY11, their unaudited consolidated financial results for FY11, projected financials and information and clarification provided by the issuer and its promoters, term sheet outlining the structure of the deal, and collateral value analysis. LDL has not yet shared the H1FY12 results.

The rating factors, inter alia, the experienced management team of LDL, its healthy order book position, and the underlying securities of the proposed NCD issue. The rating is however constrained by project execution risk, very high leverage, some instances of delays in debt servicing by LDL, non-availability of LDL’s results as on 30th Sept.2011, and the current situation in the real estate industry.

Established in 1980, the Lodha Group is primarily focused on the Mumbai real estate market, with approximately 97% of its 4,171 acre land-bank in the Mumbai Metropolitan region. The Lodha group is one of the largest players in the residential real estate segment, and has done sales worth of ₹2,251 crores in FY11. In FY11 the Group’s consolidated net sales are at ₹ 2,248.4 Cr vs ₹ 1657.7 Cr as on FY10. Operating profit declined 30% y-o-y to ₹ 535.8 Cr in FY11, as the company has launched several projects resulting in increased expenditure. The operating profit margin declined to 23.8% as of FY11 from 11.7% at FY10. Net Income declined 3.2% y-o-y to

₹263.1 Cr for FY11. As on FY11 the company's consolidated net worth was ₹886 Cr and total borrowings were ₹ 5,813.9 Cr. Of the borrowings, compulsory fully convertible debentures totaled ₹ 2,767 Cr. The company has cash of ₹889 Cr as of FY11.

Lodha Pranik Landmark Developers (formerly M/s Pranik Landmark Associates) is part of the Lodha Group and was incorporated on 17th June 2011. It has three directors: Mr. Abhinandan Lodha, Mr. Deepak Lodha and Mr. Anurag Singhvi. LPL is a special purpose vehicle through which the company is executing only one project – Lodha Fiorenza. As of Sept 30, 2011, LPL has equity share capital of Rs5.2 lakhs and the debt outstanding on LPL is ₹239 Cr in the form of unsecured loan from the promoters and Lodha Group companies.

Fiorenza is a high-end luxury projects launched by Lodha Developers Ltd. through LPL. The project is located at Goregaon in the western suburbs of Mumbai on the Western Express highway next to the National Exhibition Center and the HUB mall. The project is in a developed locality with – residential and commercial complexes – Nirlon Knowledge Park, Oracle Park and schools in its neighborhood. The project offers good connectivity to railway stations, domestic and international airport. Fiorenza is developed on a 208,295 sq. ft plot with total saleable area of 923,652 sq. ft. The project comprises of four buildings offering 444 flats of 2, 3, and 4 BHK and garden residences. Work on this project is on-going and completion is expected by March 2015. Of the 444 flats the company has already sold 160 flats as of November 2011.

LPL plans to issue 180 fully secured, redeemable debentures, with a face value of ₹1 crore each, aggregating ₹ 180 crores. The proceeds will be used for repayment of loan of Rs 125 crore and general business purposes. The tenure of the instruments is upto 3 years and Redemption will take place in seven equal quarterly installments, starting June 18, 2013.

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