

Lancor Holdings Limited

July 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	53.03 (Reduced from 98.39)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE D (Single D); Stable outlook assigned
Short Term Bank Facilities	5.00	CARE A4 (A Four)	Revised from CARE D (Single D)
Total Bank Facilities	58.03 (₹ Fifty-Eight Crore and Three Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in the ratings assigned to bank facilities of Lancor Holdings Limited (LHL) factors in the improved debt servicing track record of the company aided by improved sales and collections from ongoing projects and re-phasing of debt from one of the lenders.

The ratings are constrained by moderate size of operations which are primarily confined to Chennai region, project implementation risk associated with the ongoing/new projects, inherent cyclical nature, and intense competition in the real estate industry. The rating, however, derives strength from the long-standing experience of the promoter in the real estate industry, established track record of operations in the Chennai market and adequate land bank availability providing scope for future developments.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in sales and collection in respect of on-going projects along with reduction in debt on sustained basis.
- Improvement in leverage levels with overall gearing below 1.00x on sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any large delays in the scheduled completion and slowdown in the sales momentum of the on-going projects

Detailed description of the key rating drivers

Key rating weaknesses

Moderate project implementation risk

The company is currently executing about five apartment/villa projects. The projects are in various stages of construction. Some of the major ongoing projects are Infinys which is located in Keelkattalai having total salable area of 3.41 lsf and Harmonia which is located in Sriperumbudur having total salable area of 3.32 lsf. Infinys and Harmonia are expected to get completed by 2024 and 2026 respectively. As on March 31, 2022 about 42% of the project cost has been incurred. The total construction cost for the ongoing project is Rs.428.20 crore, of which around Rs.177.97 crore (42% of construction cost) is incurred as of March, 2022. The remaining cost required to complete the ongoing project is Rs.250.23 crore, which shall be financed by loan and customer advances.

Exposure to intense competition in the real estate industry

Chennai is home to quite a few IT/ ITES, manufacturing and logistics companies and has been the preferred destination for these industries since the last few years. This has led to a growth in the residential market in Chennai. Nevertheless, the project returns are exposed to current slowdown in the overall real estate market, the tight credit market for real estate funding, the high interest rate environment and the project profitability vulnerable to fluctuations in construction material and labour costs. The real estate market in Chennai is highly fragmented with a large number of developers. The projects completed in the past and ongoing projects are situated in the Chennai region. This exposes LHL to the regional concentration risk which is partly mitigated by the brand image enjoyed by the company in Chennai market.

Key rating strengths

Long standing experience of the promoter & established track record of operations in the Chennai market

LHL was incorporated in the year 1985 and has over 30 years of operations in the Chennai market. LHL is promoted by Mr.R.V Sekhar who has more than 40 years of experience spanning FMCG, IT & Real estate. LHL's board consists of seven other members which includes one non-executive chairman, four independent directors and two non-independent directors. Mr. R.V Sekhar (Chartered Accountant) is Managing director of the company. Mrs. Mallika Ravi who is a Chartered Accountant with more than 20 years of industry experience across IT & Real estate sector is also actively engaged in the operations of the Lancor group from 2009. LHL has so far completed around 62 residential projects involving saleable area of 40.59 lsf which includes few major projects in Chennai namely The central park at sholinganallur (8.81 lsf completed in three phases), Abode

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

valley at Potheri (8.31 Isft completed in three phases) and The Atrium at Thiruvanniyur (3.49 Isft) among many. This apart, LHL has also developed 8 commercial properties in the past involving area of 4.68 Isqft.

Adequate land bank availability in relation to existing size of operations thereby providing scope for future development of projects

LHL is credited with a large land bank in Sriperumbudur (approximately 100 acres) which it intends to develop in phases. The huge land bank allows the company to generate a higher return on invested capital in view of the huge capital appreciation as Sriperumbudur is the most popular industrial area and is home to several automotive/auto parts companies such as Hyundai, BMW, Nissan, Royal Enfield etc.

LHL has four new projects planned, namely 1) Town and Country (land sale in Sriperumbudur) 2) Lumina (apartments in Guduvanchery), 3) Temple City (land in Sriperumbudur) and 4) Temple City (apartment in Sriperumbudur). Total estimated cost for new projects is approximately Rs. 244.96 crore (flats-Rs.166.78 crores, land Rs.77.98 crores), of which around Rs 70.97 crore incurred (apartments: Rs 29.62 crore and land: Rs 41.35 crore)

Higher sales velocity and collection during FY22

During FY22, LHL sold around Rs.166.39 crore as against sale of Rs.57.06 crore for FY21 and collected around Rs.96.20 crore as against collection of Rs.51.61 crore for FY21. During 3mFY23, LHL has sold around Rs.40.22 crore and collected around Rs.34.15 crore. Amount receivable from customers is around Rs.100 crores. The company's ability to repay the obligation in the near term has improved due to increase in sales and collection during the year.

Liquidity: Stretched

The cash balance as on March 31, 2022, stood at Rs. 3.72 crore. For FY23, the total repayment obligation is around Rs.77.88 crore which would be managed through project cashflows.

Analytical approach: Standalone

Applicable Criteria

[Financial ratios - Non Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector entities](#)

[Rating outlook and credit watch](#)

[Short Term Instruments \(careratings.com\)](#)

[Rating methodology for Real estate sector](#)

[Construction](#)

[Policy on Default Recognition](#)

[Policy on Curing Period](#)

About the company

Incorporated in the year 1985, Lancor Holdings Limited is promoted by Mr. R V Sekhar which is engaged primarily in development of residential real estate projects in Chennai, Tamil Nadu. LHL has also developed few commercial properties in the past. LHL has completed sixty-two residential projects involving area of 40.59 Isf and eight commercial properties involving 4.68 Isft. As on March 31, 2022, total shareholding of promoters in the company stood at 62.08%. Currently it is executing 4 on-going residential projects which has a salable area of 8.83 Isf

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	52.13	105.22	NA
PBILDT	13.39	12.03	NA
PAT	-11.58	-10.40	NA
Overall gearing (times)	1.45	1.33	NA
Interest coverage (times)	0.49	0.47	NA

A: Audited; UA:Unaudited; NA: Not Applicable

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Term Loan-Long Term		-	-	Feb 2026	39.66	CARE B+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	13.37	CARE B+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	5.00	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Term Loan-Long Term	LT	39.66	CARE B+; Stable	1)CARE D (06-Apr-22)	-	1)CARE D (16-Feb-21) 2)CARE BB-; Negative (03-Dec-20)	1)CARE BB+; Stable (09-Sep-19)
2	Fund-based - LT-Working Capital Limits	LT	13.37	CARE B+; Stable	1)CARE D (06-Apr-22)	-	1)CARE D (16-Feb-21) 2)CARE BB-; Negative (03-Dec-20)	1)CARE BB+; Stable (09-Sep-19)
3	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A4	1)CARE D (06-Apr-22)	-	1)CARE D (16-Feb-21) 2)CARE A4 (03-Dec-20)	1)CARE A4+ (09-Sep-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities-Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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