

Lancor Holdings Limited

February 16, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	182.41	CARE D (Single D)	Revised from CARE BB-; Negative (Double B Minus; Outlook: Negative)
Short Term Bank Facilities	5.00	CARE D (Single D)	Revised from CARE A4 (A Four)
Total Bank Facilities	187.41 (Rs. One Hundred Eighty-Seven Crore and Forty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the rated facilities of Lancor Holdings Limited (LHL) takes into account instances of delays in debt servicing in respect of few of the rated borrowings/ bank facilities on account of moderation in sales momentum and collections in the ongoing projects due to the impact of COVID-19 and resultant tight liquidity position of the company. CARE also takes note of LHL's communication sent to stock exchanges dated February 13, 2021 regarding the rephasing of loan facilities with some financial institutions.

Rating sensitivities

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

- Satisfactory track record of timely servicing of debt obligations

Detailed description of the key rating drivers

Key rating weaknesses

Exposure to sales risk associated with old/on-going projects with moderate booking status

Total inventories outstanding as on March 31 2020 stood at Rs.280 crore, of which unsold inventories stood at Rs.47 crore. During the period from FY15 to FY17, LHL has completed the construction of around eleven projects involving saleable area of 9.56 lsf (lakh square feet) of which some portion remains unsold as on March 31, 2020.

With respect to ongoing projects, apart from TCP Altura, other projects were located in the outskirts of the city. Sales booking and construction progress in respect of TCP Altura is relatively better as compared to other projects. Lumina project is located at Guduvancheri which is an upcoming suburb in the southwest of Chennai situated between Chengalpet and Tambaram junction of the Grand Southern Trunk Road (GST) at a distance of 35 km (approx) from Chennai central. Guduvancheri is surrounded by IT parks like Mahindra World City, Shriram Gateway and automobile giants like Ford, Renault Nissan, BMW and Bharat Benz. Townsville, Town & Country, Harmonia is located at Sriperumbadur which is situated in NH4 (Chennai- Bangalore highway) around 40km from Chennai central. Sriperumbadur is home to many automobile companies and few IT companies. While both Guduvancheri and Sriperumbadur are witnessing fast developments due to presence of /upcoming automobile companies and IT Parks, it is to be noted that both these markets are located in the outskirts of Chennai with more scope for development as a result demand is moderate. Excluding Town & Country and Harmonia which are villa project, total construction progress achieved in ongoing projects is 54% as against this sales booking stood moderate at 31% as on September 30, 2020.

Lower than expected sales velocity and collection during FY20; During H1FY21 sales velocity and collection witnessed further moderation due to impact of COVID-19

During FY20, LHL sold around Rs.59 crore and collected around Rs.63 crore as against total sales of Rs.59 crore and collection of Rs.61 crore during FY19. During 7mFY21, on account of the covid-19 induced economic slowdown, sales momentum and collection witnessed further moderation. LHL sold around Rs.18 crore and collected around Rs.16 crore during 7mFY21. During 9mFY21 (refers to period from April 01 to March 31), LHL reported total income of Rs.23.26 crore and after tax loss of Rs. 8.99 crore.

Delays in servicing few of its debt obligations

As stated above, due to COVID-19 pandemic induced slowdown, the collections of the company has witnessed moderation in 9mFY21 resulting in stretched liquidity position thereby company opting for rephasing of loans/borrowings from two of its lenders. As stated above, stretched liquidity position has resulted delays in servicing interest obligations in respect of few of its lenders/borrowings.

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

Project implementation risk

The total construction cost for the ongoing projects is Rs.204 crore, of which around Rs.109 crore (54% of construction cost) is incurred as on September 30, 2020. The remaining cost required to complete the ongoing project is Rs.95 crore. It is to be noted that around Rs.41 crore term loan is left to be availed for these projects and around Rs.5 crore is to be received from customers for the units which are sold already, proceeds of which will be used to fund the project. The remaining amount required to complete the project is Rs.49 crore which will be met through fresh sales of the units of the ongoing projects. The civil works are being outsourced to two companies namely PR Engineering & Contractors and Sri Suraj Builders. LHL provides money in the form of mobilization advances to the contractors to start the project. Remaining money will be released by LHL based on the milestone achieved by the contractors for every stage of construction.

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 high 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 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.

Liquidity: Poor

On account of moderation in collections and due to COVID-19 pandemic induced slowdown, LHL has been experiencing liquidity issues resulting in delays in debt servicing in respect of few of its facilities/borrowings. The company has received sanctions from some of its other lenders under the Emergency Credit Line Guarantee Scheme announced by RBI for the sectors affected by COVID-19.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[CARE's rating methodology for real estate sector](#)

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

About the Company

Incorporated in the year 1985, Lancor Holdings Limited (LHL) 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, eight commercial properties involving 4.68 Isf in the past and is currently executing two residential projects with a saleable area of 6.99 Isf.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	87	60
PBILDT	23	20
PAT	4	(6)
Overall gearing (times)	1.03	1.29
Interest coverage (times)	1.02	0.74

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this company: Please refer Annexure 3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	May 2023	153.39	CARE D
Fund-based - LT-Working Capital Limits	-	-	-	-	29.02	CARE D
Fund-based - ST-Bank Overdraft	-	-	-	-	5.00	CARE D

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Term Loan-Long Term	LT	153.39	CARE D	1)CARE BB-; Negative (03-Dec-20)	1)CARE BB+; Stable (09-Sep-19)	-	-
2.	Fund-based - LT-Working Capital Limits	LT	29.02	CARE D	1)CARE BB-; Negative (03-Dec-20)	1)CARE BB+; Stable (09-Sep-19)	-	-
3.	Fund-based - ST-Bank Overdraft	ST	5.00	CARE D	1)CARE A4 (03-Dec-20)	1)CARE A4+ (09-Sep-19)	-	-

Annexure 3: Complexity level of various instruments rated for this Company

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

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

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