

## Lancor Holdings Limited

January 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	21.72 (Enhanced from 21.09)	CARE B+; Stable	Revised from CARE C ; Stable outlook assigned
Long-term Bank Facilities	8.11 (Reduced from 24.04)	CARE B+; Stable	Revised from CARE D ; Stable outlook assigned
Short-term Bank Facilities	5.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Lancor Holdings Limited (LHL) factors in the improved debt servicing track record of the company.

The ratings remain constrained by the slower sales/collections, delay in getting approval for some of the development projects negatively impacting the construction momentum. The ratings are further limited by the project implementation risk associated with the ongoing/new projects, legal disputes on few of the ongoing projects, inherent cyclicity and intense competition in the real estate industry along with geographical concentration risk as the company's projects are primarily limited only to Chennai region. The ratings derive comfort from the long-standing experience of the promoters in the real estate industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Successful completion of the ongoing projects without any timeline extension and cost escalation
- Sustained average collection above ₹ 200 Cr per annum.

#### Negative factors

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

**Analytical approach:** Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the operations of the company will continue to remain stable in the medium-term deriving benefit from the long-standing experience of the promoters in the real estate industry.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Project implementation risk

The company is currently executing about 12 apartment/villa projects and 2 land projects with a combined saleable area of 28.41 lakh square feet (lsh) of which the land projects form 70% of the total saleable area. As of November 2023 end, the company has sold only 4.66 lsh (i.e., 16% of the total saleable area). Further, three of the ongoing projects of the company namely Harmonia, Town & Country (Land project, Villa Project) are under arbitration which forms 41% of the total saleable area. In July 2022, Hon'ble High court of Madras has stayed the construction and sales of these projects until the arbitration proceedings are completed.

As on November 30, 2023, against the estimated project cost of ₹ 491 Cr, the company has incurred total cost of ₹ 270 Cr in the ongoing projects and out of which nearly 48% was towards the projects which are under litigation. Ongoing arbitration and sizable portion of the remaining cost to be incurred on the ongoing projects exposes LHL to implementation risk.

### Exposed to cyclical nature of real estate market and regional concentration risk

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Chennai is home to quite a few IT/ ITES, manufacturing and logistics companies and has been the preferred destination for these industries for the last few years. This has led to a growth in the residential real estate market in Chennai. Nevertheless, the project returns are exposed to 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 majorly 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 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 R.V Sekhar (a Chartered accountant) who has more than 4 decades of experience spanning FMCG, IT & Real estate and is Managing director of the company. LHL has so far completed around 73 projects with an area of 49.12 Isf.

### Liquidity: Stretched

The liquidity profile of the company is stretched with committed receivable of ₹ 41 Cr to meet the o/s debt obligation of ₹ 79 Cr and the pending construction cost of ₹ 176 Cr as on Nov 30, 2023. The cash and bank balance of the company as on September 30, 2023, remained moderate at ₹ 1.79 Cr.

## Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating methodology for Real estate sector](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated in the year 1985, Lancor Holdings Limited (LHL) is promoted by Mr. R V Sekhar and is engaged primarily in development of residential real estate projects in Chennai, Tamil Nadu. LHL has also developed a few commercial properties in the past. The company has completed 73 projects with an area of 49.12 Isf since inception.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	105.22	114.19	62.89
PBILDT	12.03	21.35	10.69
PAT	-10.40	-0.33	2.47
Overall gearing (times)	1.33	0.84	0.69
Interest coverage (times)	0.47	1.07	16.99

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	1.45	CARE B+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	5.00	CARE A4
Term Loan-Long Term		-	-	31-12-2026	20.27	CARE B+; Stable
Term Loan-Long Term		-	-	28-02-2026	8.11	CARE B+; Stable

### 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 2023-2024	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
1	Term Loan-Long Term	LT*	8.11	CARE B+; Stable	1)CARE D (12-Sep-23) 2)CARE BB; Stable (05-Apr-23)	1)CARE B+; Stable (15-Jul-22) 2)CARE D (06-Apr-22)	-	1)CARE D (16-Feb-21) 2)CARE BB-; Negative (03-Dec-20)
2	Fund-based - LT-Working Capital Limits	LT*	1.45	CARE B+; Stable	1)CARE C (12-Sep-23) 2)CARE BB; Stable (05-Apr-23)	1)CARE B+; Stable (15-Jul-22) 2)CARE D (06-Apr-22)	-	1)CARE D (16-Feb-21) 2)CARE BB-; Negative (03-Dec-20)

3	Fund-based - ST-Bank Overdraft	ST**	5.00	CARE A4	1)CARE A4 (12-Sep-23) 2)CARE A4 (05-Apr-23)	1)CARE A4 (15-Jul-22) 2)CARE D (06-Apr-22)	-	1)CARE D (16-Feb-21) 2)CARE A4 (03-Dec-20)
4	Term Loan-Long Term	LT*	20.27	CARE B+; Stable	1)CARE C (12-Sep-23)	-	-	-

\*Long term; \*\* Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not Applicable**

**Annexure-4: Complexity level of the various instruments rated**

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

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the 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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