

LML HOMES LLP

December 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	110.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. (CARE Ratings) has been seeking information from LML Homes LLP (LML) to monitor the rating vide e-mail communications/letters dated September 30, 2024, November 14, 2024, among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on LML's bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised on account of non-availability of requisite information due to non-cooperation by LML with CARE Ratings' efforts to undertake a review of the outstanding ratings.

The rating assigned to the bank facilities of LML continue to be constrained by relatively moderate scale of operations which are primarily confined to West and South Chennai region, execution risk associated with the upcoming project launches, moderate profitability, and intense competition and cyclicity in the real estate industry. The rating, however, derives strength from the longstanding experience of the promoters in the real estate sector along with regular funding support, satisfactory capital structure and moderate dependence on customer advances for funding of projects.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on November 22, 2023, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key weaknesses

Relatively moderate scale of operations with projects largely confined to south and west Chennai region

LML was incorporated in the year 2016 and the scale of operations as reflected in the total operating income (TOI) stood moderate at ₹36.93 crore in FY24 (FY23: ₹34.40 crore). There are two ongoing projects in the firm namely "LML Prakriti" and "LML Iconia" which are situated in West Tambaram and Poonamallee region of Chennai respectively. The upcoming projects are also planned to be launched in the same geography thereby leading to geographical concentration risk.

Project implementation risk

The firm has achieved 97% construction progress vis a vis 83% of the inventory sales from the ongoing projects as on September 30, 2023. The major revenue generation for next two to three years will take place from the three new projects planned to be launched in Q4FY24. Out of the three projects one will be on Joint Development basis and in one of the other remaining projects the land cost has already been incurred. Construction is yet to begin in these projects which exposes LML to project implementation risk. Nevertheless, the project implementation risk is outweighed to some extent by the long experience of the promoters in the construction business as well as tying up of bank debt. Considering the gestation period of around three years for the completion, any volatility in the raw material prices will impact the cost of the projects.

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

Exposed to inherent risks associated with the real estate industry and intense competition in the segment

Operations of the firm is concentrated within Chennai and is exposed to risks associated with the real estate industry in the city. Due to structural reforms like implementation of GST, RERA norms and other factors like economic slowdown and natural calamities in the recent past, the real estate market in the city has been exposed to these risks. Also, the real estate market in Chennai is highly fragmented with a large number of developers which adds to the competition in the region. The developer's track record, quality of construction and delivery timelines will be crucial aspects that home buyers will consider in their purchase decisions.

Key strengths

Experienced and resourceful promoters

Mr Suresh Chand Kothari is the Chairman and Managing Partner of LML and has more than two decades of experience in the real estate and construction industry. In the past, the Partners of LML (family members are six partners) were engaged in providing hire purchase finance to clients through the group company "Lucky Mercantile Limited" which was set up in 1992. In 2005, the partners divested from finance business and forayed into real estate business developing more than 5.5 lakh sqft. of real estate space through 40 different small ticket projects. The partners later setup LML in 2016 to execute mid to large size projects. While the overall management of LML is under Mr Suresh Chand Kothari, the day-to-day operations are managed by other partners wherein Mr. Mahesh Kumar Kothari is responsible for the construction activities, Mr. Surender Kumar Kothari is involved in financial aspects of the business, and Mr. Pradeep Kumar Kothari who have a background in Diploma in Interior designs is involved in the design process and engages in implementation of Architect. The partners have demonstrated regular funding support to the ongoing projects.

Satisfactory project execution and sales momentum from the ongoing projects

The firm currently has two ongoing projects under the Joint development arrangement. The construction in one of the projects "LML Prakriti" has been completed and the firm has sold around 93% area as on September 30, 2023. In the other ongoing project "LML Iconia" the company has incurred around 87% of project cost and has sold 42% of the total area as on September 30, 2023. The lower sales in LML Iconia vis a vis construction progress was due to phase wise execution of the project which initially involves higher construction progress before the bookings picks up. Overall, the sales and collections have remained healthy from the ongoing projects.

Comfortable capital structure albeit expected to moderate in near term

The capital structure of the firm stood satisfactory with overall gearing of 0.87x as on March 31, 2024 (March 31, 2023: 1.18x). The total debt of the firm stood at ₹35.60 crore comprising of ₹9.97 crore of term loans and ₹25.63 crore of promoter loans.

Liquidity: Stretched

While the sale velocity and collections from the existing projects are satisfactory, the company going forward is venturing into larger sized projects with high amount of debt funding. The projects being in the nascent stage and are yet to be launched. Going forward, ability of the company to maintain the satisfactory and early sales booking in the upcoming projects and maintaining collection efficiency from the upcoming projects is key for enhancing the cash flow position of the firm.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

LML is a limited liability partnership firm established in the year 2016 by Mr. Suresh Chand Kothari with his other family members. The firm is engaged in the development of affordable residential real estate primarily in Chennai, Tamil Nadu. The firm currently has two ongoing projects with a saleable area of 2.83 lakh sq. ft. of which 83% of the area has been sold for a value of ₹109 crore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	34.40	36.93	NA
PBILDT	3.77	2.74	NA
PAT	2.35	2.37	NA
Overall gearing (times)	1.18	0.87	NA
Interest coverage (times)	1.36	0.53	NA

A: Audited UA: Unaudited NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL Ratings has conducted the review on the basis of best available information and has classified LML Homes LLP as 'Not cooperating' vide its press release dated September 11, 2024. The reason provided by CRISIL Ratings is non-furnishing of information for monitoring of rating.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	May-2025	110.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	110.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (22-Nov-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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

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About us:

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Disclaimer:

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