

## Lancor Holdings Limited

March 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	19.51 (Reduced from 28.38)	CARE BB; Stable	Upgraded from CARE B+; Stable
Short Term Bank Facilities	5.00	CARE A4+	Upgraded from CARE A4
Long Term Bank Facilities	-	-	Withdrawn

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 improvement in capital structure resulting from preferential allotment of equity in June 2024 and debt reduction over the period and improved sales momentum on the back of settlement of legal dispute on its ongoing projects. The rating remains constrained by project implementation risk associated with the ongoing/new projects, inherent cyclical nature and intense competition in the real estate industry along with geographical concentration risk as the LHL'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.

CARE Ratings Limited (CARE Ratings) has withdrawn the long-term rating assigned to the term loan facility of the company as it has repaid the aforementioned facility in full and there is no amount outstanding under the loan as on date as per the no due confirmation from the lender.

### 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 ₹250 crores 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 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 key rating drivers:

#### Key weaknesses

#### Project Implementation Risk

Company has resolved a dispute over its ongoing project in Sriperumbudur (Harmonia, Temple town, Town & Country) in June 2024, gaining full ownership. Company has also obtained long pending approval for one of its key projects during the year which improved the construction momentum. These resolutions helped the company to bolster the sales velocity. Company has surpassed its FY24 TOI in 9MFY25. All ongoing projects have shown substantial development, indicating improved implementation. Signature projects like Lumina (H2 & ABC) and Infinys phase II apartments are in the final stages of construction.

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

Company is currently executing about ten apartment/villa projects and one land project with a combined saleable area of 7.55 lakh square feet (lsf) of which the land projects form 32% of the total saleable area. As on December 30, 2024, against the estimated project cost of ₹294.23 Cr, the company has already incurred cost of ₹202.92 Cr. The remaining cost to be incurred in the on-going projects is ₹91.31 crore which is expected to be met through the customer advances receivables from already sold units, which stood at ₹61.16 crore as on December 2024 end and rest through fresh sales from ongoing project. Given the dependence on customer advances, moderation in sales booking and collections in the ongoing projects is likely to impact the construction progress. The company frequently enters into joint development agreements with partners, which can create dependencies. These dependencies pose risks, as disagreements with partners could significantly impact construction progress and expected collections, potentially leading to slowdowns.

### **Projects with High Geographic Concentration Risk**

The company's near-term focus is heavily concentrated in Sriperumbudur, with one major plotted development project and two villa projects in the same location. Over the next two to three years, most upcoming projects will be launched in this area, with a few involving joint development partners. This high concentration poses some risk, as a significant portion of collections will come from the Sriperumbudur site. However, the site's high growth potential and proximity to a developing area are expected to moderately mitigate these collection risks.

### **Exposure to inherent risks and cyclicity in the real estate industry**

The real estate market is inherently cyclical, leading to fluctuations in sales and realizations, which can result in volatile cash inflows. Meanwhile, outflows, such as construction cost and debt repayments, remain relatively fixed. A downturn in demand could further reduce collections and cash flow, exacerbating financial pressures.

### **Key strengths**

#### **Comfortable capital structure**

Company has reduced its debt level over the past few years from ₹206 crores in March 21 to ₹97 crores in March 24. Overall gearing has improved from 1.45x as of March 21 to 0.71x as of March 24. In June 2024, company has made a preferential issue of equity for ₹55 crores further strengthening the net worth position. Overall gearing as of September 2024 improved to 0.63x with total debt of ₹126.66 crores. While the company has plans to avail term loan around ₹50 crores for the upcoming projects capital structure is expected to remain comfortable below 1x in the near term.

#### **Long standing experience of the promoter and established track record of operations**

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. LHL has so far completed around 78 projects involving a saleable area of 53.67 lsf which includes few major projects in Chennai.

#### **Liquidity: Stretched**

The liquidity profile of the company is stretched with moderate cash and bank balance of ₹6.32 Cr held as on Sep 30, 2024. The collection for the period between April 24 to December 24 was moderate at ₹126.85 Cr. The company had committed receivable of only ₹61.16 Cr as against the total debt outstanding of ₹88.09 Cr and the pending construction cost of ₹91.31 Cr as on December 31, 2024.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Rating methodology for Real estate sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic 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 78 projects with an area of 53.67 Lsft since inception.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	114.19	137.57	138.88
PBILDT	21.66	24.22	29.04
PAT	-0.30	6.76	8.25
Overall gearing (times)	0.85	0.71	NA
Interest coverage (times)	1.08	1.84	2.06

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

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

**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-Working Capital Limits		-	-	-	0.00	Withdrawn
Fund-based - ST-Bank Overdraft		-	-	-	5.00	CARE A4+
Term Loan-Long Term		-	-	December 2026	15.62	CARE BB; Stable
Term Loan-Long Term		-	-	July 2028	3.89	CARE BB; Stable

**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	Term Loan-Long Term	LT	3.89	CARE BB; Stable	-	1)CARE B+; Stable (03-Jan-24) 2)CARE D (12-Sep-23) 3)CARE BB; Stable (05-Apr-23)	1)CARE B+; Stable (15-Jul-22) 2)CARE D (06-Apr-22)	-
2	Fund-based - LT-Working Capital Limits	LT	-	-	-	1)CARE B+; Stable (03-Jan-24) 2)CARE C (12-Sep-23) 3)CARE BB; Stable (05-Apr-23)	1)CARE B+; Stable (15-Jul-22) 2)CARE D (06-Apr-22)	-
3	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A4+	-	1)CARE A4 (03-Jan-24) 2)CARE A4 (12-Sep-23) 3)CARE A4 (05-Apr-23)	1)CARE A4 (15-Jul-22) 2)CARE D (06-Apr-22)	-
4	Term Loan-Long Term	LT	15.62	CARE BB; Stable	-	1)CARE B+; Stable (03-Jan-24) 2)CARE C (12-Sep-23)	-	-

LT: Long term; ST: Short 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-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 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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