Karlan Constructions LLP (Revised)

March 27,2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	165.00	CARE BB; Stable	Upgraded from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in rating assigned to the bank facility of Karlan Constructions LLP (KCL) reflects the steady execution of projects without additional debt, supported by improved sales and collection momentum during FY25 (Audited; FY refers to April 01 to March 31) and 9MFY26(UA). Despite, improvement, the rating remains constrained by moderate construction progress, continued—though reduced—reliance on customer advances, inherent cyclicality of the real estate sector, and stretched liquidity given the need to sustain projected sales velocity for timely term-loan repayment.

Nevertheless, the rating continues to draw strength from the promoter group's experience, the project's favourable location, moderate debt dependence for completion, availability of all major approvals, and a stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained inflow of customer advances and progress of construction ahead of schedule.
- Achievement of better than estimated sales on a sustainable basis.

Negative factors

- Delay in timely sourcing of funds and completion of projects as planned
- Cost overruns or unforeseen delays in the completion of the project
- Lower sales velocity than expected

Analytical approach: Standalone

Outlook: Stable

Stable outlook indicates that the entity will continue to benefit from strong support from established promoters and stable industry outlook in Andhra Pradesh which will help the company to achieve the expected sales.

Detailed description of key rating drivers:

Key weaknesses

High reliance on customer advances

About Rs. 200.85 crore (38%) of the ongoing project is being funded by customer advance. The promoters have brought about Rs. 41.60crore to support ongoing project, further about Rs. 90crore will be brought into the business in subsequent years, this shows that promoters will bring in fund whenever it is required and the thrust on customer advances will be reduced.

Exposure to inherent cyclicality in real-estate industry

KCL's business is significantly dependent on the performance of the real-estate market. Being a cyclical industry, real estate depends on macro-economic factors and the entity's dependence on a particular geography further heightens such risk.

Key strengths

Experienced promoter group

The company is promoted by three partners Mr. Mallikarjuna Rao Kankatala (Chairman Kankatala Group), Mr. Venkata Ramana Mavuri (Chairman Mavuri constructions and CMR shopping malls, Mr. Umesh Kunapareddy (Chairman - LANSUM Properties) has over 30 years of experience in construction sector along with other realms. Lansum group has the expertise in real estate development business. All the parties involved in LLP have cemented their names in various sectors and now came together to form an LLP.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Gradual progress in projects and sales momentum during FY25 and 9MFY26

The construction of all projects has started and Karlan Square which was expected to be completed by FY27 is almost completed by 9MFY26, the project has received OC as in November 2025. Further, as on December 31, 2025, 56% on cumulative of the total construction has been completed. All projects are expected to be completed on time. Hence, timely completion of construction within the envisaged time and cost is critical from credit perspective.

Moderate dependency on debt for completion of the project

About 27% of the total construction cost has been funded through debt. The total project cost is Rs. 523.42 crore. The company has planned to raise Rs. 141crore through term loan. Repayment of term loan depends on the expected sales velocity. Hence, achievement of expected sales is critical from credit perspective.

Favourable location of the project

The projects are spread across various developing regions in Visakhapatnam, Andhra Pradesh which is a residential locality with reasonable population density. It is well connected with roads and within the vicinity of, railway (5kms), bus station (0.5 kms) and Port (14 kms).

Liquidity: Adequate

Adequate Liquidity position marked by improved sales momentum resulting into better sales collections. The company has sold Rs. 301.23 crores worth of inventory in the last 3 years, on an average of Rs.8.36crore per month. The firm still has Rs.42crores of receivables from the sold inventory and is relying on customer advances for balance construction cost and future debt repayments. However, the promoters have been infusing funds as and when required. Therefore, sales and collection efficiency of unsold inventory is critical in terms of credit perspective.

Assumptions/Covenants: Not applicable

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

Applicable criteria

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

Karlan Constructions LLP (KCL) was incorporated on February 08,2019 with registered office in Visakhapatnam, Andhra Pradesh. The company is promoted by partners Mr. Mallikarjuna Rao Kankatala (Chairman Kankatala Group), Mr. Venkata Ramana Mavuri (Chairman, Mavuri Constructions and CMR shopping malls, Mr. Umesh Kunapareddy (Chairman, LANSUM Properties) has over 30 years of experience in construction sector along with other realms.

The three established players in different sectors amalgamating their expertise and are now venturing into real estate sector under Karlan which is developing residential projects in various locations in Visakhapatnam, Andhra Pradesh with saleable area of 11.62 lakh square feet (lsft). As on December 31,2024, KCL has incurred cost about 38% of total project cost through the promoter's and term loan from bank. RERA registered number Karlan Square - P03290822052, CMR One- P03290012978, CMR Karlan Grand- P03290173033, Karlan Residency- P03290193372.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	22.31	84.03
PBILDT*	1.67	6.54
Profit after tax (PAT)	1.24	4.23
Overall gearing (x)	2.14	1.39
Interest coverage (x)	2,856.53	512.27

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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-Term Loan		-	-	Dec 2029	165.00	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	165.00	CARE BB; Stable	1)CARE BB-; Stable (09-Apr-25)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (10-Jan-25)	1)CARE BB-; Stable (12-Dec-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 lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91 80-4662 5555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Y Tejeshwar Reddy Associate Director **CARE Ratings Limited** Phone: +91 40-4010 2030 E-mail: Tejeshwar.Reddy@careedge.in Saba Shaikh Lead Analyst **CARE Ratings Limited** E-mail: Saba.Shaikh@careedge.in

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