

Ashiana Housing Limited

February, 05 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating Issuer Rating	0.00	CARE A; Stable	Reaffirmed
Non Convertible Debentures	97.00	CARE A; Stable	Reaffirmed
Non Convertible Debentures	5.60	CARE A; Stable	Reaffirmed
Non Convertible Debentures	26.40 (Reduced from 35.00)	CARE A; Stable	Reaffirmed
Non Convertible Debentures	125.00	CARE A; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to Ashiana Housing Limited (AHL) continues to derive strength from the experience of the promoters, its vintage of operation for several decades and project execution capabilities in the residential real estate development. The rating factors in the healthy operational performance in terms of bookings and collections of AHL during FY23 and H1FY24. The rating favorably factors in the comfortable financial risk profile characterized by healthy gearing and coverage metrics.

The rating, however, is constrained due to moderate profitability and return metrics, execution risk for ongoing projects as well as planned launches and risk associated with real estate industry being subject to regulations and competition from other players.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in quarterly collections above Rs 250 crore from the projects on sustained basis.
- Consistent improvement in profitability margins as marked by PBILDT and PAT margins of 15% and 7.5% respectively.

Negative factors

- Higher than envisaged increase in debt levels (more than Rs.300cr) leading to significant deterioration in capital structure.
- Inability to sustain envisaged average unit realization in new projects, thus adversely impacting profitability margins.
- Dip in average quarterly collection to Rs 100 crore on sustained basis.

Analytical approach:

Consolidated; the business and financial risk profiles of Ashiana Housing Ltd and its subsidiaries and associates have been consolidated. This is because all these entities, collectively referred to as the Ashiana group, have business and financial linkages (as is also evident from investments made), and are under a common management.

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

Subsidiaries	Country of Incorporation	Business	Shareholding*
Ashiana Maintenance Services LLP	India	Real estate support operations	99.70%
Latest Developers Advisory Ltd	India	Real estate developer	100%
Topwell Projects Consultants Ltd	India	Real estate developer	100%
Ashiana Amar Developers	India	Real estate developer	100%
Joint Ventures	Country of Incorporation	Business	Shareholding*
Ashiana Greenwood Developers	India	Real estate developer	50%
Megha Colonizers	India	Real estate developer	50%
Ashiana Manglam Builders	India	Real estate developer	50%
Ashiana Manglam Builders-Extension Land	India	Real estate developer	50%
Vista Housing	India	Real estate developer	50%
Kairav Developers Limited	India	Real estate developer	50%

Outlook: Stable

The "Stable" outlook reflects that the entity is likely to sustain its collection and sales momentum from the ongoing projects resulting in healthy operational growth along with adequate liquidity position as reflected by large cash balances.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with project execution capabilities:

AHL is managed by, Mr Vishal Gupta, (Managing Director), Mr Ankur Gupta (Joint MD) and Mr Varun Gupta (Whole time Director), who are professionally qualified and have experience in construction, real estate and finance. Till Sep 30, 2023, the company had constructed 290.64 Isf of residential and commercial space in Rajasthan, Haryana, Jharkhand, Pune, Tamil Nadu and Gujarat. As on September 30, 2023, there are 26 ongoing projects out of which company has already sold 79% of the total area. From Sep 2022- Sep 2023, company has delivered 7 projects equalling 18.49 Isf of area and launched 13 new projects equalling 30.8 Isf. In FY24, AHL projected to handover 11 projects out of which AHL has already started handover of 5 projects

Healthy operational performance:

Operational performance remained healthy as characterized by stable booking, increasing average unit realization, improvement in area constructed and collection during FY23 and H1FY24. Percentage of area booked out of total sealable area improved to 79% as on September 30, 2023 from 77.32% as on Sep 30, 2022. Further, company witnessed improvement in its average realizations to Rs.5,080/sft in FY23 vis-à-vis Rs.3,883/sft in FY22. Average unit realization stood at 10 year high in FY23 and expected to improve in FY24 as company has already sold units with average realisation rate of Rs.6,684/sft and Rs.5498/sft in Q1FY24 and Q2FY24 respectively. Further on account of better response from newly launched projects in last 12 months provides opportunity for AHL to increase prices, going forward.

Equivalent area constructed during FY23 was 16.73 Isf as against 16.20 Isf in FY23. All projects where the percentage completion is less than 50%, have reasonable residual time for completion. The collections for FY23 and H1FY24 have been healthy at Rs.667.62 crore and Rs.532.24 crore respectively.

Comfortable financial profile:

The financial risk profile of AHL is characterized by modest debt position and comfortable gearing. AHL has continued to maintain comfortable overall gearing of 0.24x as on March 31, 2023 (PY: 0.24x). The total debt of the company increased from Rs. 174.05 crore as on March 31, 2022 to Rs.183.93 crore as on March 31, 2023 majorly due to issuance of NCDs of Rs. 26.40 crore. Further in Q1FY24, AHL has already prepaid their term loan of Rs.40 crore due to the sufficient liquidity. The healthy net worth base of AHL maintains the capital structure comfortable. Based on the strong booking collectively achieved during FY23 and H1FY24 along with improvement in average realizations, collection is expected to significantly increase in FY24 thereby leading to improvement in cash coverage ratio.

Key weaknesses**Moderate profitability and return metrics on account of high overheads:**

During FY23, AHL's profitability stood moderate as reflected from PBILDT and PAT margin of 11.46% and 6.98% as against net losses incurred by the group in FY22. The improvement in the profitability was mainly on account of increase in the realisation rate and increase in the area booked in FY23. Profitability of AHL has improved in H1FY24 as marked by EBITDA margin and PAT margins of 11.71% and 8.25% respectively. Further going forward in FY24 (refers to the period April 01-March, 2024), AHL's profitability will improve on account of better realisation rates and increase in booking area. AHL has already delivered 12.62 lsf of area and recognised for revenue in H1FY24 as against 4.18 lsf in H1FY23.

Project execution risk on account of ongoing and planned launches:

AHL is currently developing 26 projects (different phases) in Chennai, Jaipur, Bhiwadi, Jodhpur, Jamshedpur and Pune as on September 30, 2023 with the total saleable area of 60.11 lsf out of which 47.78 lsf has been sold i.e. 79%. The project costs are primarily funded out of customer advances and internal accruals with limited reliance on debt. Further, AHL plans to launch large scale projects in the medium term with significant saleable area which poses project execution risk. This includes projects in relatively new geographies. Although most of the debt required to finance the project has been tied up, AHL will be significantly relying on customer advances and healthy front-loaded collection for executing the same. Timely execution of the new projects would be a key monitorable going forward.

Risk associated with real estate industry being subject to regulations and competition from other players:

Real estate sector demand is linked to the overall economic prospect of the country. Change in the economic outlook affects the expected cash inflows to a household, thereby also influencing their buying decision. Besides, as leverage forms an important part of funding for the buyer, availability of loan and interest rates also affects the demand of real estate properties. On the other hand, land, labour, cement and metal prices being some of major cost centres for the sector, availability of these factors plays important role in pricing and supply of new units. Hence, cyclicity associated with economic outlook, interest rates, metal prices, etc., also renders the real estate sector towards cyclicity. Moreover, the companies in the sector are also exposed to regulatory changes, especially in the countries such as India with evolving regulations. Also, there exists competition from up-coming and completed projects of other well-known developers in the region.

Liquidity: Strong

Liquidity profile of AHL is strong as characterized by healthy collection from projects that is Rs. 667.62 cr in FY23 and Rs.532.24 crore in H1FY24 vis-a-vis very low annual repayment. Further cash and liquid investment of the group stood ~Rs.165 crore as on September 30, 2023. AHL has committed receivables of approximately Rs. 1310.94 crore, covering ~106% of the balance project cost and outstanding debt as on September 30, 2023. Current ratio on consolidated basis continued to remain strong. Further in Q1FY24, AHL has repaid the term loan of Rs.40 crore due to sufficient liquidity.

Assumptions/Covenants: NA**Environment, social, and governance (ESG) risks**

CARE Ratings believes that Ashiana Housing Limited's environment, social, and governance (ESG) profile supports its credit risk profile. The sector's social impact is characterised by health hazards, leading to a higher focus on labour safety and wellbeing, given the nature of its operations. Ashiana Group has continuously focused on mitigating its environmental and social risks. Key highlights of the ESG initiatives are as below:

- The company is designing and upgrading environment friendly buildings and in continuation with the company and its contractors are attempting to provide safe and healthy working environment to workers at construction sites, including training to improve the capabilities of the local work force. Company also monitors and tracks compliance of vendors with regard to statutory benefits and other state-wise labour rules pertaining to individuals on their payrolls working on company premises.
- The company implements building structure designs that are safer than mandatorily required under the requisite building code
- The company use various measures to reduce the waste of resources and conservation of technology which includes solar generators, rainwater harvesting pit, organic waste converters, DWC pipe and recycling of waste water for flushing and horticulture etc.
- There are no anti-competitive, abuse of dominant position or unfair trade practices cases pending against the company

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Issuer Rating](#)

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

[Rating Outlook and Credit Watch](#)

[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 1986 as Ashiana Housing and Finance India Limited and later rechristened to its present name; the Delhi based Ashiana Housing Limited (AHL) is a mid-sized real estate player focused on residential projects in Tier-II cities. The company got listed on BSE in 1993 and on NSE in 2011. AHL develops middle income residential houses.

Brief Financials (₹ crore) consolidated	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	203.85	399.61	463.25
PBILDT	2.89	45.78	54.23
PAT	-7.04	27.88	38.22
Overall gearing (times)	0.24	0.24	NA
Interest coverage (times)	0.59	15.05	39.88

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
Debentures-Non Convertible Debentures	INE365D08034	20-Jun-2022	8%	July 19, 2042	26.40	CARE A; Stable
Debentures-Non Convertible Debentures*	-	-	-	-	5.60	CARE A; Stable
Issuer Rating-Issuer Ratings	-	-	-	-	0.00	CARE A; Stable
Debentures-Non Convertible Debentures	INE365D08026	01-June-2021	8%	31-May-2041	97.00	CARE A; Stable
Debentures-Non Convertible Debentures*	-	-	-	-	125.00	CARE A; Stable

**Company has not raised these NCDs, as on Jan 31, 2024. These are proposed NCDs*

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	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE A; Stable	1)CARE A; Stable (20-Nov-23) 2)CARE A; Stable (21-Nov-22)	1)CARE A; Stable (26-Dec-22) 2)CARE A (Is); Stable (21-Nov-22)	1)CARE A (Is); Stable (22-Nov-21)	1)CARE A (Is); Stable (26-Mar-21) 2)CARE A (Is); Stable (03-Apr-20)
2	Debentures-Non Convertible Debentures	LT	97.00	CARE A; Stable	1)CARE A; Stable (20-Nov-23)	1)CARE A; Stable (21-Nov-22)	1)CARE A; Stable (22-Nov-21)	1)CARE A; Stable (26-Mar-21)
3	Debentures-Non Convertible Debentures	LT	26.40	CARE A; Stable	1)CARE A; Stable (20-Nov-23)	1)CARE A; Stable (21-Nov-22)	1)CARE A; Stable (22-Nov-21)	-
4	Debentures-Non Convertible Debentures	LT	5.60	CARE A; Stable	1)CARE A; Stable (20-Nov-23)	1)CARE A; Stable (21-Nov-22)	1)CARE A; Stable (22-Nov-21)	-
5	Debentures-Non Convertible Debentures	LT	125.00	CARE A; Stable				

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
	NCD- Rs.97 crore, Rs.26.40 crore and Rs.5.60 crore
A. Financial covenants	
I. Coupon Rate	8% p.a subject to availability of distributable surplus.
II. Repayment Date	20 years from date of allotment.
B. Non-financial covenants	
I. Other Terms	<p>a. The NCD's have a 'payable when able' kind of structure meaning thereby that NCDs will have to be served only when the project is generating cash flows.</p> <p>b. The company has to ensure IFC minimum IRR of 8% after the expiry of 5 years of the project (including the cash distributed during the first 5 years).</p> <p>c. In the event of IFC not receiving minimum IRR of 8%, the IFC has right to waterfall acceleration event and will have right to all the surplus cash flow till the time IFC doesn't get minimum IRR of 8% and after that Ashiana group will receive the cash flow till the time Ashiana group have an IRR of 8%.</p> <p>d. NCD will be paid only from the distributable surplus of the specific project and no recourse to IFC to any other funds.</p> <p>e. Ratio between Ashiana and IFC to be as under: -</p>

Particulars	Rs 97 cr NCD (Outstanding Rs.97 crore)		Rs 26.4 cr NCD & Rs.5.60 cr (Outstanding Rs.26.40 crore, rest not raised yet)	
	Ashiana	IFC	Ashiana	IFC
Investment	50	50	60	40
Distributable Surplus				
Till 14% IRR	50	50	60	40
After achieving 14% IRR	70	30	81.5	18.5
NCD- Rs.125.00 crore				
C. Financial covenants				
I. Coupon Rate	~10% p.a			
II. Repayment Date	Door to door tenor of 5 years. Repayment pattern 25% of the Issue Size annually starting from completion of 2 years. Interest Reset Date – 3 years from Deemed Date of Allotment			
D. Non-financial covenants				
I. Objects of the Issue	The funds raised through the Issue under this Information Memorandum shall be utilised for financing/part financing any of the following or any combination thereof (a) general corporate purpose, including acquisition of shares / stake in any SPV; (b) working capital requirements; (c) real estate development (d) land acquisitions (including reimbursements); (e) cost of construction (including reimbursements of construction costs); (f) the cost of development expenditure for the real estate projects proposed to be undertaken; and (g) pending full utilization of Issue proceeds to invest the temporary surplus of the Issue proceeds in Permitted Investments (as defined in the Escrow Account Clause).			
II. Rating Clause	Interest Rate will be stepped up by 50 basis points per annum on credit rating downgrade of Issuer or NCDs by each notch by any rating agency. In addition to the aforesaid, in case of credit rating is downgraded by two notches from the rating prevailing on Deemed Date of Allotment, investor will have option to ask for mandatory repayment. Upon exercise of option of mandatory repayment by the investor, Issuer will repay the outstanding amount within 60 days from the notice of mandatory repayment. If put option is not exercised by investor then coupon will increase by 1% for every notch. Lowest rating to be considered in case of multiple ratings.			

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debentures-Non Convertible Debentures	Simple
3	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details

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

Annexure 6: List of Subsidiaries

Subsidiaries of Ashiana Housing Limited
Ashiana Maintenance Services LLP
Latest Developers Advisory Ltd
Topwell Projects Consultants Ltd.
Ashiana Amar Developers

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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About us:

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