

Ashray Estates

August 07, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	36.00	CARE BB+; Stable	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facility of Ashray Estates (AET) is constrained by tenant, asset and geographical concentration risks, as well as exposure to lease renewal risk given the short tenure of the lease agreement vis-à-vis loan tenor. The rating is further constrained by the partnership constitution of the firm, which exposes it to risks of capital withdrawal by partners. Furthermore, the inherent cyclicity in real estate sector can impact the performance.

The rating, however, draws comfort from the experience of the partners in real estate industry, favourable location of the leased asset, and the presence of a structured payment mechanism with an escrow account. The structure also includes a Debt Service Reserve Account (DSRA) equivalent to stipulated months of debt servicing, offering some cushion against cashflow mismatches.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in cash coverage ratio (CCR) from current levels on a sustained basis.
- On time renewal of lease agreement.
- Improvement in financial risk profile of the firm led by reduction in debt and built-up healthy net worth.

Negative factors

- Occupancy declining below 90% impacting CCR
- Continuous withdrawal of capital resulting in further deterioration of capital structure.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations that company will continue to generate adequate cash flows driven by healthy occupancy level and envisaged escalations in rental.

Detailed description of key rating drivers:

Key weaknesses

Tenant concentration risk

The company leased 41 units. All the units are occupied by a single tenant— Zolostays Property Solutions Pvt. Ltd. (ZPSPL)— resulting in complete reliance on a single counterparty for rental income. This arrangement introduces risks related to the tenant's financial and operational performance. Although lease terms include a lock-in period of 5 years i.e. entire tenure of current agreement, absence of a diversified tenant base limits the AET's ability to manage rental income volatility.

Agreement roll-over and lease renewal risk

Existing lease agreements with ZPSPL are valid until January 2029, whereas the loan is repayable over a longer horizon, up to FY2040. This creates a dependency on timely lease renewals or fresh lease executions to ensure continuity of rental inflows. The agreement stipulates execution of new leases within 90 days of expiry and mandates rental parity. Nonetheless, any delay or failure in renewing leases on similar terms could lead to cash flow mismatches and heighten the risk of debt servicing challenges.

Asset and geographical concentration risk

AET's portfolio is limited to a single residential asset—Jaswanti Bliss—located at Kurla (West), Mumbai, comprising 41 units with an aggregate carpet area of 24,870.24 sq. ft. leased to a single tenant. The portfolio is exposed to geographical and asset concentration risks, with no diversification across assets, tenants, or locations. Any adverse regulatory development, infrastructure delay, or softening of demand in the Kurla micro-market may impact rental realisations and occupancy. The risk is partially mitigated by the property's current leased status and its location in an established residential-commercial catchment. However,

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

comfort can be derived as ZPSPL has approval to utilise the property as lodging/boarding as well, which in that particular area has a better demand. Hence, although concentrated geographically, the revenue is diversified. But from credit perspective, the continued tenant retention and sustained rental flow will remain monitorable

Partnership constitution of the entity

AET is constituted as a partnership firm, which inherently carries the risk of capital withdrawal by partners evident by negative partners' capital of Rs. 28.06 crore as on March 31, 2024. It potentially impacts its financial flexibility. The firm's constitution also limits access to institutional borrowings, where the creditworthiness of individual partners becomes a key consideration.

Inherent cyclicalities in the real estate sector

AET remains exposed to the inherent cyclicalities of the real estate sector, which is closely linked to macroeconomic factors such as interest rates, inflation, regulatory developments, and levels of disposable income. The firm has leased 41 residential units to a single co-living operator under a long-term arrangement, with rentals forming the primary source of cash flows for debt servicing. In the event of an economic slowdown, the lessee's business performance may be impacted, potentially affecting occupancy levels or rental yields. Furthermore, the presence of competing co-living or rental housing supply in the vicinity could exert pressure on future leasing activity or re-negotiation of lease terms.

Key strengths

Experienced partners

AET is part of the Ashray Group, a Mumbai-based real estate developer with over three decades of experience in residential and commercial redevelopment. The Group was established in 1994 by Mr. Rashmin Rughani, a civil engineer and his brother Mr. Bharat Rughani who presently have more than 3 decades of experience in the real estate business. The partners maintain active oversight across development, sales, leasing, and financial structuring, and continue to follow a phased monetisation strategy aligned with market demand and capital planning. Ashray Group has completed 12 projects with a total constructed area of ~13.50 lakh sq. ft., primarily in suburban micro-markets such as Malad, Kandivali, Vikhroli, and Mulund. It has demonstrated execution capabilities across various formats, including redevelopment, SRA, and mixed-use projects. Under AET, the firm has leased 41 residential units of Jaswanti Bliss, Kurla (West). Historically, Ashray Group has executed LRD transactions in its project named Jaswanti Landmark.

Favourable location of the asset

Jaswanti Bliss is located in Kurla (West), Mumbai in close proximity to the Bandra-Kurla Complex (BKC) and Santacruz-Chembur Link Road (SCLR). The location benefits from good rail and road connectivity offer access to both central and western suburbs. The project is situated in a mixed-use neighbourhood with established residential and commercial infrastructure, making it well-suited for co-living operations. The accessibility of employment hubs and urban amenities supports tenant demand and enhances the asset's marketability. The strategic location also facilitates continued interest from prospective tenants, which is favourable for occupancy stability and re-leasing potential.

Presence of Structured Payment Mechanism and DSRA

The firm maintains an escrow account with lender to ring-fence project cash flows, with a predefined waterfall ensuring prioritization of debt servicing, including interest, principal and DSRA replenishment. DSRA equivalent to six months' debt servicing obligations is maintained at all times. These mechanisms provide cash flow stability and mitigate timing risks associated with rental collections.

Liquidity: Adequate

As on June 30, 2025, the firm has an unencumbered cash and bank balance of Rs.1 crore. It has an average debt repayment commitment of ~Rs.4-4.50 crore for next 3 years, against which the firm has entered into an agreement with tenant which provides an average annual inflow of ~Rs.5.50-6.00 crore from rental which provides cushion for debt repayment. Additionally, with a comfortable Loan-To-Value ratio, the firm has sufficient headroom for further financing, if needed.

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 Debt backed by lease rentals](#)

[Rating methodology for Real estate sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Real Estate related services

Constituted as a partnership firm in January 2013, AET was established to sell and/or lease residential as well as commercial units in its sole project, Jaswanti Bliss, located at Kurla (West), Mumbai. The project, registered under RERA (Reg. No. P51800027448), comprises a total of 111 units and was completed in 2023. Of these, 70 units were sold by FY25, while the remaining 41 units were leased to Zolostays Property Solutions Pvt. Ltd., a co-living operator. These leased units form the underlying asset for a ₹36 crore Lease Rental Discounting (LRD) facility.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	29.12	46.28
PBILDT	-15.51	NA
PAT	-28.96	NA
Overall gearing (times)	-4.11	NA
Interest coverage (times)	-1.08	NA

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

Status of non-cooperation with previous CRA: NA

Any other information: NA

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
Term Loan-Long Term		-	-	March 2040	36.00	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	Term Loan-Long Term	LT	36.00	CARE BB+; Stable	-	-	-	-

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	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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