Ashiana Housing Limited (Revised)

November 21, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Issuer rating Issuer Rating	0.00	CARE A (Is); Stable [Single A (Issuer Rating); Outlook: Stable]	Reaffirmed
Total Instrument	**0.00 (₹ Only)**		
Non Convertible Debentures	97.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Non Convertible Debentures	35.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	**132.00 (₹ One Hundred Thirty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1

@The Issuer Rating is subject to the company maintaining overall gearing not exceeding 0.30 times as on March 31, 2023.

Detailed Rationale & Key Rating Drivers

The rating of 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 Ashiana Group (AG) during FY22 and H1FY23. The rating favorably factors in the comfortable financial risk profile characterized by healthy gearing and coverage metrics.

The rating, however, is constrained due to low 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

Positive:

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

Negative:

- Higher than envisaged increase in debt (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.

Detailed description of the key rating drivers:

Key Rating Strengths

Experienced promoters with project execution capabilities:

AG 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 March 31, 2022, the company had constructed 264.97 lsf of residential and commercial space in Rajasthan, Haryana, Jharkhand, Pune, Tamil Nadu and Gujarat.

Healthy operational performance:

Operational performance remained healthy as characterized by stable booking, increasing average unit realization, improvement in area constructed and collection during FY22 and H1FY22. Percentage of area booked out of total sealable area improved to 77.32% as on September 30, 2022 from 65.47% as on June 30, 2021. Further, company witnessed improvement in its average realizations to Rs.3,883/sft in FY22 vis-à-vis Rs. 3571/sft in FY21. Average unit realization stood at 9 year high in FY22 and expected to improve in FY23 as company has already sold units with average realisation rate of Rs 4904 sqft in Q2FY23. Further on account of better response from newly launched projects in last six months provides opportunity for AG to increase prices, going forward.

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

Area constructed during FY22 was 16.20 lsf which is 38.94% higher than FY21 level which stood at 11.66 lsf. All projects where the percentage completion is less than 50%, have reasonable residual time for completion. The collections for FY22 have been healthy at Rs.667.62 crore due to new bookings amounting Rs.573.25 crore as well as stage payments from past year bookings. Also, during H1FY23, AG has already received collections to the tune of Rs. 274.39 crores.

Comfortable financial profile:
The financial risk profile of AG is characterized by modest debt position and comfortable gearing. AG has continued to maintain comfortable overall gearing of 0.24x as on March 31, 2022 (PY: 0.09x). The total debt of the company increased to Rs. 174.05 crore as on March 31, 2022 (PY: Rs.67.72 cr) majorly due to issuance of NCDs of Rs. 97 crore and term loan of Rs 40 crore taken from bank. The healthy net worth base of AG maintains the capital structure comfortable. Based on the strong booking collectively achieved during FY22 and FY21 along with improvement in average realizations, collection is expected to significantly increase in FY23 thereby leading to improvement in cash coverage ratio.

Liquidity analysis: Strong
Liquidity profile of AG is strong as characterized by healthy collection from projects that is Rs. 667.62 cr in FY22. Further, the company has received collections of Rs 274.4 crore upto September 30, 2022 vis-a-vis annual repayment obligation of Rs.0.35 crore and cash and liquid investment of Rs. 168.68 crore as on September, 2022. AG has committed receivables of approximately Rs. 531.58 crore, covering ~80% the balance project cost and outstanding debt as on September 30, 2022. Current ratio on consolidated basis continued to remain strong.

Key Rating Weaknesses

Low profitability and return metrics on account of high overheads:
During FY22, AG suffered net losses partially due lower revenue resulting from lower deliveries and higher overheads expenses incurred. However, AG has earned operating and net profit in H1FY23 as marked by PBILDT and PAT margins of 9% and 5% respectively. Further going forward in FY23 (refers to the period April 01-March, 2023), AG's profitability will improve on account of better realisation rates and increase in booking area. AG has already delivered 4.18 lsf of area and recognised for revenue in H1FY23 as against 2.26 lsf in H1FY22.

Project execution risk on account of ongoing and planned launches:
AG is currently developing 20 on-going projects (different phases) in Chennai, Jaipur, Bhiwadi, Jodhpur, Jamshedpur and Pune as on September 30, 2022 with the total saleable area of 47.92 lsf out of which 10.87 lsf is unsold. The project costs are primarily funded out of customer advances and internal accruals with limited reliance on debt. Further, AG 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, AG 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, cyclicality associated with economic outlook, interest rates, metal prices, etc., also renders the real estate sector towards cyclicality. 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.

Industry Outlook:
India's realty sector is showing signs for healthy growth in 2022. The pandemic has helped residential real estate to bounce back, and the recovery was fabulous. The recovery has been attributed to people having to work from home. The rise in salaries has led to people spending more on bigger and better properties over the last year. While some sectors in Real Estate have done pretty well, it has largely been a mixed bag. However, with a rising residential sector, there may be price rise soon. With demand shooting up, developers are expecting buyers to pay more.

Analytical approach: Consolidated; the business and financial risk profiles of Ashiana Housing Ltd and its subsidiaries and associates have been combined. 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.

Entity	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	95%
Ashiana Greenwood Developers	India	Real Estate Developer	50%
Kairav Developers Limited	India	Real Estate Developer	50%
Ashiana Manglam Builders	India	Real Estate Developer	50%
Ashiana Manglam Builders - Extention Land Division	India	Real Estate Developer	50%
Vista Housing	India	Real Estate Developer	50%

Applicable Criteria

Policy on default recognition
Consolidation
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
Policy on Withdrawal of Ratings

About the Company

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.

(Rs. crore)

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23 (UA)
Total operating income	248.82	229.85	172.93
PBILDT	9.27	12.12	16.37
PAT	1.7	-7.08	8.45
Overall gearing (times)	0.09	0.24	NA
Interest coverage (times)	0.93	0.71	10.30

A: Audited; UA.: unaudited

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 for this company: Annexure 4

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	June 20, 2022	8%	July 19, 2042	35.00	CARE A; Stable
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE A (Is); Stable
NCD	INE365D08026	June 01, 2021	8%	31-May-2041	97.00	CARE A; Stable

Annexure-2: Rating History of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE A (Is); Stable	-	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 (22-Nov-21)	1)CARE A; Stable (26-Mar-21)	-
3	Debentures-Non Convertible Debentures	LT	35.00	CARE A; Stable	-	1)CARE A; Stable (22-Nov-21)	-	-

* Long Term / Short Term

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

Non-Convertible Debentures Covenants	Detailed Explanation
i. Coupon Rate	8% p.a subject to availability of distributable surplus.
ii. Repayment Date	20 years from date of allotment.
iii. Other Terms	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. 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). 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%. d. NCD will be paid only from the distributable surplus of the specific project and no recourse to IFC to any other funds. e. Ratio between Ashiana and IFC to be as under: -

Particulars	Rs 97 cr NCD (Outstanding Rs.97 crore)	Rs 35 cr NCD (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

Annexure 4: Complexity level of various instruments rated for this company

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

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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