

Ashiana Housing Limited

March 28, 2019

Ratings

Type of Rating	Rating ¹	Rating Action
Issuer Rating	CARE A (Is); Stable* [Single A (Issuer Rating); Outlook: Stable]	Reaffirmed

*The issuer rating is subject to the company maintaining overall gearing not exceeding 0.51x (projected level as on March 31, 2019)

Detailed Rationale & Key Rating Drivers

The rating of Ashiana Housing Limited (AHL) continues to take into account stable operational parameters during 9MFY19 (refers to the period April 1 to December 31) despite a subdued performance in FY18 (refers to the period April 01 to March 31) and comfortable liquidity position. Further, the rating continues to draw strength from the promoter's experience and comfortable financial profile characterized by low gearing and debt coverage indicators. The rating, however, is constrained due to the execution risk for ongoing projects with relatively higher dependence on customer advances and salability risk for completed and ongoing projects amidst overall subdued demand scenario in the real estate sector. Going forward, the ability of the company to maintain healthy sales momentum/ collections and capital structure with timely execution of the ongoing projects within envisaged costs shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Experienced Promoters and 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 have experience in construction, real estate and finance. AHL has completed real estate development of approximately 225 lakh square feet (lsf) of residential and commercial space as on December 31, 2018.

Comfortable financial profile despite weak market scenario: The financial risk profile of AHL is characterized by healthy profitability margin, minimal debt, comfortable gearing and debt protection metrics. The company witnessed reduction in total operating income to Rs.328.02 in FY18 as compared with Rs.389.64 crore in FY17 on account of lower project deliveries, since the company follows completed project method for revenue recognition. The company continued to maintain comfortable overall gearing of 0.18x as on March 31, 2018 as compared with 0.12x as on March 31, 2017. The company has witnessed good traction of sales and cash collections during 9MFY19.

Comfortable liquidity position: AHL has comfortable liquidity position as characterized by free cash and bank balance of Rs 54.79 crore and current investments (in form of Mutual funds) to the tune of Rs.68.34 crore as on as on December 31, 2018. The company has been able to generate stable cash collections (stage payments as well as fresh inventory sales) to the tune of Rs.268.95 crore in FY18 and Rs.208.68 crore during 9MFY19.

Key Rating Weaknesses

Project funding, execution risk & Market sensitivities: AHL is currently developing 8 projects in Rajasthan, Haryana, Tamil Nadu, Maharashtra and Gujarat with the total saleable area of around 14.66 lsf as on December 31st 2018. The project costs are primarily funded out of customer advances and internal accruals with limited reliance on debt. AHL is also exposed to market risk toward unsold area owing to subdued demand scenario in the industry. Although there has been an uptick in the demand as witnessed in sales momentum during 9MFY19 (with 7.97 lsf of area booked as against 4.72 lsf of area booked during 9MFY18), the company continues to be exposed to the inherent cycles of the real estate industry.

Subdued industry scenario: The real estate market has seen slow-down in the sales in past few quarters. Competitive pricing, increased transparency, speedy approvals process, clear land titles, improved delivery and project execution are expected to support growth of the real estate sector. Further, after the implementation of Real Estate (Regulation & Development) Act (RERA) under which 70% of the amount realized from the real estate project from the buyers, from time to time, shall be deposited in a separate account to cover the cost of construction/development and the land cost and shall be used only for that purpose which has led to shortage of free funds across real estate sector.

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

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

business and financial linkages (as is also evident from investments made), and are under a common management. The list of subsidiaries which have been considered for consolidation (as on March 31, 2018) are as under:

S.NO	COMPANY NAME	HOLDING/SUBSIDIARY/ ASSOCAITES	% OF SHARES HELD
1	Ashiana Maintenance Services LLP	Subsidiary	99.70%
2	Latest Developers Advisory Ltd	Subsidiary	100.00%
3	Topwell Projects Consultants Ltd	Subsidiary	100.00%
4	Neemrana Builders LLP	Subsidiary	98.50%
5	MG Homecraft LLP	Subsidiary	98.50%
6	Ashiana Amar Developers	Subsidiary	100.00%

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's methodology for Factoring Linkages in 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. Through its subsidiary Ashiana Maintenance Services LLP, it provides facility management services to group properties and maintains over 12,824 units as on March 31, 2018.

Brief Financials (Consolidated) (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	389.64	328.02
PBILDT	102.45	63.63
PAT	67.00	38.23
Overall gearing (times)	0.12	0.18
Interest coverage (times)	9.90	4.58

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE A (Is); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE A (Is); Stable	1)CARE A (Is); Stable (02-Apr-18)	1)CARE A (Is); Stable (11-May-17)	-	1)CARE A (Is) (12-Jan-16)

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