Ashiana Landcraft Realty Private Limited

Apr 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long Term Instruments- Non Convertible Debentures-I	29.01	**CARE C; Stable (Single C; Outlook: Stable)**	**Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)**
Long Term Instruments- Optionally Convertible Debentures	10.00	**CARE D (Single D)**	**Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)**
Long Term Instruments- Non Convertible Debentures-III	81.00	**CARE C; Stable (Single C; Outlook: Stable)**	**Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)**

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the instruments and bank facilities of Ashiana Landcraft Realty Pvt. Ltd. (ALRPL) is due to the delays in interest payment on OCD of Rs.10cr apart from continued tight liquidity position owing to the overall slowdown in the real estate market. Further, the ratings are constrained due to the recent delays in the debt servicing of the long Term Bank facilities, project execution risk and subdued industry scenario. However, the ratings continue to derive strength from the experience of the promoters in the real estate industry.

Going forward, timely execution and sale of the project along with realization of existing customer advances shall remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Recent delays in debt servicing

There were recent delays in servicing of debt obligations on the OCD and bank facilities. The company had delayed the monthly installment due for the month of March 2019 and the interest payment due on OCD on March 31, 2019. This is on the account of tight liquidity position of the company due to slower sales momentum for its ongoing projects.

Project execution risk

The company is developing a residential group housing project in Sector 88-A, Gurgaon. The total estimated cost of the project is Rs. 1038 cr which will be funded through promoter's contribution of Rs. 59.00 cr, debt of Rs. 423 cr and the rest through customer advances. As on Dec 31, 2018, the promoters have brought in Rs 52.6 Cr, Outstanding debt of Rs. 333 cr availed from PNBHFL and the Piramal Group.

As on March 31, 2018, the company has incurred Rs.610 cr out of the total project cost of Rs. 1038 cr that is, ~57% of the total project cost as on Dec 31, 2018 (49% upto March 31, 2018). However, the spending on construction remains low with total expenditure of Rs. 247 cr out of the total Rs. 498 cr on the construction and administration portion, that is, 50% of the total construction and administration cost.

As significant portion of the cost is yet to be incurred; the project is exposed to execution risk.

Off take risk

Out of total saleable area of the project of 17.24 lsf, For Phase-1 (saleable area of 8.42 lsf), the company has sold 5.45 lsf of area that is ~64% (61% upto Mar 31, 2018) of the total saleable area for sale value of Rs 351 Cr till Dec 31, 2018. The sale has remains slow due to the slowdown in the real estate market.

In last 12 months ending Feb 2019, the company has been able to generate sale of value of 32 Cr has collected Rs. 20 cr in the same period. Moreover, due to the slowdown in the sales momentum, the company had proposed to defer the liability for the term loan and NCD till FY21. With significant portion of the project yet to be sold, the company remains exposed to project off-take risk.

Subdued industry scenario

The real estate sector has been grappling with issues such as unsold inventory, delayed delivery and financial stress on the developers for quite some years now and post demonetisation; due to higher liquidity the buyers have deferred their purchases as they are expecting the borrowing rates to come down. However, with the introduction of Real Estate

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

(regulation and Development) Act (RERA) and GST (Goods and Services Tax), the residential real estate sector is on the path of transformation with modified rules and mandatory approvals which will enhance the transparency and customers' trust in the sector but also add additional burden on the developers which might hamper the sentiments of the market.

Key Rating strengths

Experienced promoters with track record of project execution

The company derives strength from experience of the promoters –Ashiana Homes Pvt ltd (AHPL) and Landcraft Projects Private Limited (LPPL) in the real estate sector. Both the companies have a established track record of executing several real estate projects, including development of township, group housing, commercial complexes, etc. Some of the major completed projects include Ashiana Upvan (Ghaziabad), Ashiana Greens (Ghaziabad), Golf Links Flat (Ghaziabad), Ashiana Palm court (Ghaziabad) etc.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector

About the Company

Incorporated in 2012, ALR is a joint development between Ashiana Homes Pvt Ltd (AHPL) and Landcraft Projects Private Limited (LPPL) formed solely for a premium real estate residential project development named 'The Center Court' located at Sector 88A, Gurgaon. LPPL was incorporated in 2007, and is the real estate vertical of Garg group with the presence in Ghaziabad. The group has developed more than 20.04 lsf of area with residential and commercial projects in Ghaziabad. AHPL was incorporated in 1987, with presence mostly in North India and has developed more than 55 lsf of area with 8 completed projects.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1.63	1.56
PBILDT	47.82	67.99
PAT	(0.04)	(0.34)
Overall gearing (times)	16.86	22.43
Interest coverage (times)	0.98	0.98

*A: Audited

Liquidity: The liquidity of the company remained tight due to slowdown in the sales and collection momentum. During the 12 months ending February 2019, the company has an averagemonthly sales of Rs.2.66 Cr and average monthly collection of Rs. 1.66 Cr

Status of non-cooperation with previous CRA: NA

Any other information: NA

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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About CARE Ratings:

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Annexure-1: Details of Instruments

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Optionally Fully Convertible Debenture	March 31, 2014	8%	31/03/2021	10.00	CARE D
Debentures-Non Convertible Debentures	March 27, 2018	14%	27/03/2021	81.00	CARE C; Stable
Debentures-Non Convertible Debentures	March 31, 2014	8%	28/04/2023	29.01	CARE C; 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.	Debentures-Non Convertible Debentures	LT	-	-	1)CARE D (11-May-18) 2)CARE D (05-Apr-18)	1)CARE D (14-Jul-17) 2)CARE BB (SO); Negative (05-May-17)	-	1)CARE BB (SO) (15-Mar-16)
2.	Debentures-Non Convertible Debentures	LT	29.01	CARE C; Stable	1)CARE B+; Stable (11-May-18) 2)CARE BB-; Negative (05-Apr-18)	1)CARE BB-; Negative (14-Jul-17) 2)CARE BB (SO); Negative (05-May-17)	-	1)CARE BB (SO) (15-Mar-16)
3.	Fund-based - LT-Term Loan	LT	-	Revised from CARE B+;Stable(Single B Plus; Outlook: Stable) to CARE D (Single D) and Rating Withdrawn	1)CARE B+; Stable (11-May-18) 2)CARE BB-; Negative (05-Apr-18)	1)CARE BB-; Negative (14-Jul-17) 2)CARE BB (SO); Negative (05-May-17)	-	1)CARE BB (SO) (15-Mar-16)
4.	Debentures-Optionally Fully Convertible Debenture	LT	10.00	CARE D	1)CARE B+; Stable (11-May-18) 2)CARE BB-; Negative (05-Apr-18)	1)CARE BB-; Negative (14-Jul-17)	-	-
5.	Debentures-Non Convertible Debentures	LT	81.00	CARE C; Stable	1)CARE B+; Stable (11-May-18) 2)CARE BB-; Negative (05-Apr-18)	1)CARE BB-; Negative (23-Mar-18) 2)CARE BB-; Negative (19-Feb-18)	-	-

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