

## Ashiana Landcraft Realty Private Limited

April 05, 2018

### Ratings

Instrument/Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long Term Instruments- Non Convertible Debentures-I	29.01	<b>CARE BB-; Negative (Double B Minus; Outlook: Negative)</b>	<b>Reaffirmed</b>
Long Term Instruments- Non Convertible Debentures-II	114.92	<b>CARE D (Single D)</b>	<b>Reaffirmed</b>
Long Term Instruments- Optionally Convertible Debentures	10.00	<b>CARE BB-; Negative (Double B Minus; Outlook: Negative)</b>	<b>Reaffirmed</b>
Long-term Bank Facilities	175.00	<b>CARE BB-; Negative (Double B Minus; Outlook: Negative)</b>	<b>Reaffirmed</b>
Long Term Instruments- Non Convertible Debentures-III	81.00	<b>CARE BB-; Negative (Double B Minus; Outlook: Negative)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>409.93 (Rs. Four hundred and nine crore and ninety three lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the proposed NCDs of Ashiana Landcraft Realty Pvt. Ltd. (ALRPL) continues to be constrained due to the ongoing delays in the interest servicing of Non-convertible Debentures-I, project execution risk, slow sales and collection momentum and subdued industry scenario. However, the ratings continue to derive strength from the experience of the promoters, investment from the Piramal group and full financial closure obtained in FY18.

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

### Outlook: Negative

*The outlook is "Negative" on the account of subdued demand in the real estate sector which had an adverse impact on the collections and sales of the company. The outlook may be revised to stable with the timely pick up in the booking status of the project.*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Ongoing delays in debt servicing

There are ongoing delays in servicing of interest obligations of the Non-convertible Debentures-I. The company had made a part payment of interest of Rs. 10.56 cr in April, 2017, out of the total amount due of Rs. 21.39 cr. 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 company has incurred Rs. 537 cr out of the total project cost of Rs. 1092 cr that is, ~49% of the total project cost. However, the spending on construction remains low with total expenditure of Rs. 198 cr out of the total Rs. 700 cr on the construction and administration portion, that is, 28% 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.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Off take risk**

Out of total saleable area of the project of 17.24 lsf, the company has sold 5.21 lsf till Dec 31, 2017 i.e. ~30% (PY: 45%) of total area for sale value of ~Rs. 327 cr. For Phase-1 (saleable area of 8.42 lsf), 62% (PY: 75%) of the saleable area has been sold till Dec 31, 2017. The decline in the sold area is due to slowdown in the real estate market as there are more cancellations than the new bookings.

In CY17, the company has been able to sell 0.69 lsf and has collected Rs. 35.95 cr (PY: 64.53 cr) in the same period.

As can be seen from the customer collection, there has been significant decline owing to overall slowdown in the real estate market and slow fresh sales.

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 (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.

**Investment from Piramal Group**

Piramal group has invested in ALRPL through its private equity fund; 'Piramal Fund Management Private Limited (PFMPL) (earlier named as Indiareit Fund Advisors') via 'Domestic Scheme V'. PFMPL is a real estate venture capital fund with the corpus of Rs 1000 cr. Piramal group is one of the India's largest diversified groups, with a presence in healthcare, life sciences, financial services and real estate. Indiareit has invested Rs 0.01 cr in the equity of ALR for 0.11% of stake with 18% of voting rights and no dividend sharing. The fund has also invested in the secured debentures of the company (Rs. 124.92 cr as on March 31, 2017).

**Full financial closure**

The total estimated cost of the project is Rs. 1092 cr which will be funded through promoter's contribution of Rs. 52.60 cr (5% of the total cost), debt of Rs. 389 cr (35% of the total cost) and the rest through customer advances. As on Dec 31, 2017, the promoters have brought in their entire contribution, debt of Rs. 285 cr have been availed from PNBHFL and the Piramal Group. The remaining amount of Rs. 105 cr has been tied up with Rs. 81.00 cr as NCDs from the Piramal Group and Rs. 5 cr from PNBHFL which will be availed by the company in CY18. The company is in process to tie-up the remaining debt of Rs. 19 cr. As significant portion of the debt has been tied-up; the company has mitigated the funding risk for its on-going projects.

**Analytical approach:**

NA

**Applicable Criteria**

NA

**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)	FY16 (A)	FY17 (A)
Total operating income	1.08	1.76
PBILDT	0.06	0.23
PAT	-0.17	0.12
Overall gearing (times)	21.74	27.18
Interest coverage (times)	1.00	1.00

A: Audited

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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
Fund-based - LT-Term Loan	-	-	2021	175.00	CARE BB-; Negative
Debentures-Non Convertible Debentures	-	-	2021	114.92	CARE D
Debentures-Non Convertible Debentures	-	-	2023	29.01	CARE BB-; Negative
Debentures-Non Convertible Debentures	-	-	2021	81.00	CARE BB-; Negative
Debentures-Optionally Fully Convertible Debenture	-	-	2021	10.00	CARE BB-; Negative

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1	Debentures-Non Convertible Debentures	LT	114.92	CARE D	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 BB-; Negative	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	175	CARE BB-; Negative	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	CARE BB-; Negative	1)CARE BB-; Negative (14-Jul-17)	-	-
5	Debentures-Non Convertible Debentures	LT	81	CARE BB-; Negative	1)CARE BB-; Negative (23-Mar-18) 2)CARE BB-; Negative (19-Feb-18)	-	-

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