

Ashiana Landcraft Realty Private Limited

May 11, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	175.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB-; Negative (Double B Minus; Outlook: Negative)
Total	175.00 (Rs. One hundred and seventy five crores only)		
Long Term Instruments- Non Convertible Debentures-I	29.01	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB-; Negative (Double B Minus; Outlook: Negative)
Long Term Instruments- Non Convertible Debentures-II	114.92	CARE D (Single D)	Reaffirmed
Long Term Instruments- Optionally Convertible Debentures	10.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB-; Negative (Double B Minus; Outlook: Negative)
Long Term Instruments- Non Convertible Debentures-III	81.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE BB-; Negative (Double B Minus; Outlook: Negative)

Details of instruments/facilities 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 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 interest servicing of the Non-Convertible Debenture-I, project execution risk and subdued industry scenario. However, the ratings continue to derive strength from the experience of the promoters, regular lending support 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.

Detailed description of the key rating drivers

Key Rating Weaknesses

Recent delays in debt servicing

There were recent 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 on March 31, 2017. This is on the account of tight liquidity position of the company due to slower sales momentum for its ongoing projects. However, during Q1FY19, the investor for NCD-I has approved the interest deferment due on March 31, 2017, and March 31, 2018, till Feb 28, 2019. Also, the deferment for the interest on OCD due on March 31, 2018, has been deferred till Feb 28, 2019. The deferment of interest was due to tight liquidity amid slow customer collections.

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

Project execution risk

The company is developing a residential group housing project in Sector 88-A, Gurgaon. As on March 31, 2018, the company has incurred Rs. 547 cr out of the total project cost of Rs. 1092 cr that is, ~50% of the total project cost. However, the spending on construction remains low with total expenditure of Rs. 208 cr out of the total Rs. 700 cr on the construction and administration portion, that is, 30% 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 Isf, the company has sold 5.29 Isf till Mar 31, 2018, i.e. ~30% of total area for sale value of ~Rs. 331 cr. For Phase-1 (saleable area of 8.42 Isf), 62% of the saleable area has been sold till Mar 31, 2018. 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 CY18, the company has been able to sell 0.85 Isf and has collected Rs. 4.73 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.

Moreover, due to the slowdown in the sales momentum, the company had to take more debt in order to complete the project deadlines and meet the other debt obligations which has severely affected the debt coverage ratios in FY18.

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.

Regular lending support from the 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:

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)	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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
Fund-based - LT-Term Loan	-	-	2021	175.00	CARE B+; Stable
Debentures- Non Convertible Debentures	-	-	2021	114.92	CARE D
Debentures- Non Convertible Debentures	-	-	2023	29.01	CARE B+; Stable
Debentures- Non Convertible Debentures	-	-	2021	81.00	CARE B+; Stable
Debentures- Optionally Fully Convertible Debenture	-	-	2021	10.00	CARE B+; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	114.92	CARE D	1)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 B+; Stable	1)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	175.00	CARE B+; Stable	1)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 B+; Stable	1)CARE BB-; Negative (05-Apr-18)	1)CARE BB-; Negative (14-Jul-17)	-	-
5.	Debentures-Non Convertible Debentures	LT	81.00	CARE B+; Stable	1)CARE BB-; Negative (05-Apr-18)	1)CARE BB-; Negative (23-Mar-18) 2)CARE BB-; Negative (19-Feb-18)	-	-

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