

**Ashiana Landcraft Realty Private Limited** (Revised)

July 14, 2017

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Non-convertible Debentures-I	114.92	<b>CARE D (Single D)</b>	<b>Revised from CARE BB (SO) (Negative) [Double B (Structured obligation); Outlook: Negative]</b>
Non-convertible Debentures-II	29.01	<b>CARE BB- ;Negative (Double B Minus; Outlook: Negative)</b>	
Optionally Convertible Debentures	10.00	<b>CARE BB- ;Negative (Double B Minus; Outlook: Negative)</b>	
Long-term Bank Facilities	175.00	<b>CARE BB- ;Negative (Double B Minus; Outlook: Negative)</b>	
<b>Total Facilities</b>	<b>328.93 [Rupees three hundred twenty eight crore and ninety three lacs only]</b>		

\*The ratings were earlier based on combined approach including the financial strength of Ashiana Dwellings Pvt Limited (ADPL), Ashiana Landcraft Realty Pvt Limited and Ashiana Homes Private Limited.

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

Since Ashiana Homes Pvt Ltd (AHPL) has provided the unconditional & irrevocable corporate guarantee for the debt of Ashiana Landcraft Realty Pvt Ltd (ALRPL) & Ashiana Dwellings Pvt Ltd (ADPL), CARE had earlier combined the profiles of all three entities, collectively referred as 'Ashiana group', for arriving at the credit rating of ADPL.

However, the ratings of ALRPL are now being assigned on standalone basis. This is on account of the weakening in the combined credit risk profile of the group, considering weakness in the credit profile of ALRPL with delays in the interest servicing on one of its NCD and no financial support extended from the group.

The revision in the rating assigned to the secured Non-convertible Debentures-I of Ashiana Landcraft Realty Pvt Ltd (ALRPL) takes into account ongoing delays in interest servicing by the company.

The revision in rating assigned to the bank facilities and other instruments (NCD-II of Rs.29.01cr and OCD of Rs.10.00cr) of Ashiana Landcraft Private Limited (ALRPL) takes into consideration the standalone financials and operational strength of the company which was earlier based on the combined risk profile of Ashiana Homes Pvt Ltd (AHPL), Ashiana Landcraft Realty Private Limited (ALRPL) and Ashiana Dwellings Private Limited (ADPL).

The rating of ALRPL is constrained due to nascent stage of the projects leading to execution and funding risk coupled with slow demand off-take. The rating however derives strength from experienced promoters with their established track record and recognized brand name in the NCR region.

**Outlook: Negative**

*The outlook is "Negative" on the back of subdued demand in the real estate sector specifically in Gurgaon (Haryana) region which may have a further adverse impact on the collections and future sales of the company. The outlook may be revised to stable with timely pick up in the booking status of the project.*

**Detailed description of the key rating drivers**

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

## Key Rating Weakness

**Ongoing Delays in Debt Servicing:** There are ongoing delays in servicing of interest obligations of the secured NCD's. The company has made part payment of interest on April 11, 2017 out of the total amount due. This could be attributed to the tight liquidity position of the company owing to slowdown in real estate market leading to slow sales and collection from customers.

**Project execution risk:** ALRPL is currently executing 1 project, namely "The Centre Court". Out of the total project cost of Rs.966cr, the company has incurred ~53% of total cost till Apr-17. With major portion of cost yet to be executed, the company remains exposed to execution risk.

**Project funding risk:** Though, debt has been fully tied-up for the project, majority of pending cost of Rs.453cr is to be funded through customer advances. In light of the prevailing subdued demand scenario in the real estate industry, the projects continue to remain exposed to funding risk.

**Slow demand off-take of project:** The company has recorded bookings for about 38% of total saleable area of 14.00lfs till Apr-17. Due to overall subdued demand scenario in the industry, there has been slowdown in sales momentum during the last 12 months ending Apr'17.

**Subdued Industry Scenario:** The real estate sector is moving towards a more rational regime with developers now focusing on project execution and delivery. Further, with the introduction of RERA Act, the sector will move ahead to transparent and credible measures with sustenance for organized players. Moreover, the expected renewed interest by the banks in funding the developers is likely to result in the timely completion of the projects. As per market sentiments the India Real Estate Market may not witness a sharp reversal in FY17 but its long term the growth prospects remain strong as the sector continues to remain troubled with issues of high unsold inventory.

## Key Rating Strengths

**Investment from Piramal Group and India Infoline:** Piramal group has invested in ALRPL through its private equity fund; 'Indiareit Fund Scheme V'. Indiareit has also invested in form of OFCDs (optionally fully convertible debentures) and NCDs (Non-convertible debentures) in ALRPL's project. Financial services company; India Infoline (IIFL) has also invested in the project in the form of NCDs and OFCDs.

**Experienced promoters with established track record of operations:** The company derives strength from experience of the promoters –Ashiana Homes Pvt Ltd (ALR) and Landcraft Projects Pvt Ltd (LDPL) in the real estate sector. Both the companies have a cumulative track record of about 34 years of successful completion of several real estate projects. Till March 2016, both the companies have completed 15 real estate projects with the total developed area of 75.04 Lacs square feet (lfs) in the NCR region.

**Analytical approach:** Standalone

## Applicable Criteria

[CARE's policy on Default recognition](#)

[Financial Ratios](#)

[CARE's criteria on assigning outlook to credit ratings](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

## About the Company

Incorporated in 2012, ALRPL is a joint development between Ashiana Homes Pvt Ltd (AHPL) and Landcraft Projects Pvt Ltd (LPPL) formed solely for a premium real estate residential project development named 'The Center Court' located at Sector 88A, Gurgaon. Indiareit, the real estate private equity arm of the Piramal group has invested Rs.100 crore and financial services company, India Infoline Ltd. (IIFL) has invested Rs.83 crore in ALRPL.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total income	1.08	1.76
PBILDT	58.65	48.82
PAT	-0.18	0.12
Overall gearing (times)	21.74	27.17
Interest coverage (times)	0.98	0.99

**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](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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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	-	-	July 2021	175.00	CARE BB-; Negative
Debentures-Optionally Fully Convertible Debenture	April 2013	20% p.a.	April 2023	10.00	CARE BB-; Negative
Debentures-Non Convertible Debentures	March 2014	14% p.a.	March 2019	114.92	CARE D
Debentures-Non Convertible Debentures	April 2013	14% p.a.	April 2023	29.01	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	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	114.92	CARE D	1)CARE BB (SO); Negative (05-May-17)	-	1)CARE BB (SO) (15-Mar-16)	1)CARE BB- (23-Feb-15) 2)CARE BB- (21-Apr-14)
2.	Debentures-Non Convertible Debentures	LT	29.01	CARE BB-; Negative	1)CARE BB (SO); Negative (05-May-17)	-	1)CARE BB (SO) (15-Mar-16)	1)CARE BB- (23-Feb-15) 2)CARE BB- (21-Apr-14)
3.	Fund-based - LT-Term Loan	LT	175.00	CARE BB-; Negative	1)CARE BB (SO); Negative (05-May-17)	-	1)CARE BB (SO) (15-Mar-16)	-
4.	Debentures-Optionally Fully Convertible Debenture	LT	10.00	CARE BB-; Negative	-	-	-	-

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