March 31, 2022

Ansal Housing Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Fund-based	58.13	30.95	[ICRA]D; Reaffirmed
Short-term: Non-fund-based	64.00	55.00	[ICRA]D; Reaffirmed
Total	**122.13**	**85.95**	

**Instrument details are provided in Annexure-1*

Rationale

The rating action considers the continued irregularities in debt servicing by Ansal Housing Limited (AHL), owing to poor liquidity led by weak projects' collections. The cash inflows have remained inadequate to meet the required obligations on time. While pending collections are sufficient to cover the pending cost, generation of incremental sales and collections will remain critical for AHL to ensure timely debt servicing from its operating cash flows. ICRA notes that the company, at a consolidated level, has been incurring net losses over the last six years on account of low cash flow generation and high interest cost burden.

Going forward, timely debt servicing, along with generation of adequate incremental sales and collections would remain the key rating monitorable.

ICRA, however, takes into account the promoters' long presence in the industry, which have helped the Group to establish strong relationships with the customers and key suppliers. This has resulted in a diversified project portfolio in terms of micro-markets, which helps to cater to a wide clientele.

Key rating drivers and their description

Credit strengths

Experienced promoters with established track record in real estate industry – The Ansal Group and its promoters have been involved in the real estate industry for more than four decades. The promoters' long presence in the industry resulted in strong relationships with the key suppliers. This has enabled the company to diversify its project portfolio in terms of micro-markets (Gurgaon, Ghaziabad, Agra, Meerut, Indore, Alwar, Ajmer, etc), which helps to cater a wide clientele.

Credit challenges

Delays in debt servicing – There has been delays in debt servicing by the company owing to weak collections from its projects. Its cash flows are inadequate to meet the required obligations on time.

High reliance on incremental sales and collections to meet debt obligations – While the pending collections of Rs. 495 crore were sufficient to cover the pending cost of around Rs. 400 crore as on September 30, 2021, generation of incremental sales and collections will remain critical for the company to ensure timely debt servicing from its operating cash flows.

Net losses during last six years – The company has been incurring net losses over the last six years on account of low cash flow generation and high interest cost burden.

Liquidity position: Poor

The company's liquidity position is poor, given the deficit in cash flows on account of slow sales velocity and weak customer collections. ICRA notes that AHL has repayments of around Rs. 345 crore due in FY2023. Generation of incremental sales and collections will remain critical to ensure timely debt servicing from its operating cash flows.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to regularise its debt servicing on a sustained basis and improves its sales, and cash flows persistently.

Negative factors – Not applicable.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Policy on default recognition
Parent/Group Support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Incorporated in 1983, AHL is a part of the Ansal Housing Group. The company develops residential as well as commercial real estate properties. AHL has already completed various projects encompassing an area of about 76 million square feet (msf) in Delhi, Mumbai, Meerut, Lucknow and Ghaziabad, among others, and currently has more than 26.8 msf area under development.

Key financial indicators

AHL Consolidated	FY2020	FY2021	9M FY2022
	Audited	Audited	Provisional
Operating Income (Rs. crore)	163.90	170.56	165.74
PAT (Rs. crore)	-57.90	-42.29	-21.07
OPBDIT/OI (%)	-20.56%	12.54%	13.73%
PAT/OI (%)	-35.33%	-24.79%	-12.71%
Total Outside Liabilities/Tangible Net Worth (times)	9.17	11.35	-
Total Debt/OPBDIT (times)	-19.65	31.68	-
Interest Coverage (times)	-0.37	0.25	0.41

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019
					March 31, 2022	December 11, 2020	January 24, 2020	June 17, 2019	October 3, 2018
1	Fund-based – Working capital limits	Long-term	30.95	-	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D
2	Non-fund Based	Short-term	55.00	-	[ICRA]D	[ICRA]D	[ICRA]D	[ICRA]D; ISSUER NOT COOPERATING	[ICRA]D

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term: Fund-based – Working Capital Limits	Simple
Short-term: Non-fund Based	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term: Fund based – Working capital limits	-	-	-	30.95	[ICRA]D
NA	Short-term: Non fund based	-	-	-	55.00	[ICRA]D

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis:

Company Name	AHL Ownership	Consolidation Approach
Ansal Housing Limited (Holding Company)	**-**	**Full Consolidation**
Optus Corona Developers Pvt. Ltd (Associate Entity)	49.88%	Equity Method
Subsidiary companies		
Housing & Construction Lanka Private Limited	100%	Full Consolidation
Geo Connect Ltd.	100%	Full Consolidation
Wrangler Builders Private Limited	100%	Full Consolidation
Maestro Promoters Private Limited	100%	Full Consolidation
Anjuman Buildcon Private Limited	100%	Full Consolidation
A.R. Paradise Private Limited	100%	Full Consolidation
Fenny Real Estates Private Limited	100%	Full Consolidation
A.R. Infrastructure Private Limited	100%	Full Consolidation
Third Eye Media Private Limited	100%	Full Consolidated
Aevee Iron & Steel Works Private Limited	100%	Full Consolidated
Sunrise Facility Management Private Limited	100%	Full Consolidated
Andri Builders & Developers Private Limited	100%	Full Consolidated
VS Infratown Private Limited	100%	Full Consolidation
Identity Buildtech Private Limited	100%	Full Consolidation
Cross Bridge Developers Private Limited	100%	Full Consolidation
Shamia Automobiles Private Limited	100%	Full Consolidation
Oriane Developers Private Limited	100%	Full Consolidation

Source: *Company*

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