

April 06, 2023

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	30.95	23.23	[ICRA] D; Reaffirmed
Short-term – Non-fund based	55.00	50.00	[ICRA] D; Reaffirmed
Total	85.95	73.23	

*Instrument details are provided in Annexure-I

Rationale

The rating action considers the continued irregularities in debt servicing by Ansal Housing Limited (AHL), on account of poor liquidity of the company led by weak project collections. The cash inflows from projects have remained inadequate to meet the required obligations on time. Although, the pending collections are sufficient to cover the cost, generation of incremental sales and improvement in 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 collections and incremental sales 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 which has enabled the company to diversify its project portfolio in terms of micro-markets which helps to cater a wide clientele. The company has presence in metro cities and tier-1 and tier-2 cities as well namely Delhi, Mumbai, Gurgaon, Ghaziabad, Agra, Meerut, Indore, Alwar, Ajmer, etc.

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. 459 crore were sufficient to cover the pending cost of around Rs. 364 crore as of December 2022, 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.

Environmental and social risks

The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher costs of raw materials such as building materials and cost of compliance with pollution control regulations. Environmental

clearances are required for commencement of projects and lack of timely approvals can impact business operations. Impact of changing environmental regulations on licenses taken for property development could also create credit risks.

In terms of the social risks, the trend post-pandemic has been favorable to real-estate developers as demand for quality home with good social infrastructure has increased. Further, rapid urbanisation and a high proportion of workforce population (aged 25-44 years) will support demand for real-estate in India and, in turn, benefit AHL.

Liquidity position: Poor

The liquidity of the company is poor on account of deficit in cash flows due to slow sales velocity and weak customer collections. Further, ICRA notes that the company has repayments of around Rs. 431 crore due in FY2024 and the generation of incremental sales and collections will remain critical to ensure timely debt servicing from operating cash flows.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to regularize its debt servicing on a sustained basis along with improvement in its sales and cash flow on a sustained basis.

Negative factors – Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating methodology for real estate entities 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 (audited)

AHL Standalone	FY2021	FY2022	9M FY2023
Operating income	170.56	239.44	199.9
PAT	- 42.29	- 23.34	- 54.2
OPBDIT/OI	12.54%	20.91%	11.6%
PAT/OI	-24.79%	-9.75%	-27.1%
Total outside liabilities/Tangible net worth (times)	11.35	12.9	-
Total debt*/OPBDIT (times)	31.68	13.9	-
Interest coverage (times)	0.25	0.55	0.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBDIT; Source: Company annual reports.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years					
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)* as of March 31, 2023	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
				April 06, 2023	-	March 31, 2022	December 11, 2020	January 24, 2020	June 17, 2019	
1 Fund-based – Working Capital Limits	Long Term	23.23	-	[ICRA] D	-	[ICRA] D	[ICRA] D	[ICRA] D	[ICRA] D	[ICRA] D; ISSUER NOT COOPERATING
2 Non-fund based	Short Term	50.00	-	[ICRA] D	-	[ICRA] D	[ICRA] D	[ICRA] D	[ICRA] D	[ICRA] D; ISSUER NOT COOPERATING

Complexity level of the rated instrument

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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Working capital limits	-	-	-	23.23	[ICRA] D
NA	Short-term – Non-fund based	-	-	-	50.00	[ICRA] D

Source: Company

Annexure II: 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
<u>Subsidiary Companies</u>		
Housing & Construction Lanka Private Limited	100%	Full Consolidation
Geo Connect Limited	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 Estate Private Limited	100%	Full Consolidation
A.R. Infrastructure Private Limited	100%	Full Consolidation
Third Eye Media Private Limited	100%	Full Consolidation
Aevee Iron & Steel Works Private Limited	100%	Full Consolidation
Sunrise Facility Management Private Limited	100%	Full Consolidation
Andri Builders & Developers Private Limited	100%	Full Consolidation
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

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