

June 16, 2023

Ashiana Housing Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debentures 1	20.0	20.0	[ICRA]A (Stable); reaffirmed
Non-convertible Debentures 2	65.2	-	[ICRA]A (Stable); reaffirmed and withdrawn
Long-term/Unallocated	50.0	50.0	[ICRA]A (Stable); reaffirmed
Total	135.2	70.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Ashiana Housing Limited's (AHL) healthy operating performance in FY2023, which is expected to sustain in FY2024, supported by continued end-user demand and good affordability. AHL sold 2.6 million square feet (msf) of area and reported sales of Rs. 1,313 crore in FY2023, a year-on-year (YoY) growth of 75% and 129%, respectively. Supported by healthy sales in the past 12-18 months along with and a healthy pipeline of upcoming projects (launch pipeline is estimated at ~2 to 2.5 msf for FY2024), the collections are estimated to grow by ~30-35% YoY in FY2024, which is likely to result in comfortable leverage of Total Debt/Cash flow from operations (CFO) below ~2.0 times. Further, AHL's committed cash flow cover¹ remained healthy at 97%, against the pending cost and outstanding debt as on March 31, 2023, owing to healthy sales in the newly launched projects. Further, AHL's liquidity is strong, as reflected by the unencumbered cash and cash equivalents at ~Rs. 195.8 crore as on March 31, 2023. The ratings also draw comfort from the company's long and established track record in residential real estate development, with demonstrated project execution capabilities and strong brand image in its key markets. At present, it is developing 6.2 million sq. ft. of projects of which around 76% has been sold as on March 31, 2023.

Nevertheless, the rating remains constrained by AHL's relatively modest scale of operations and low profitability. The company reported revenue from operations worth Rs. 399.6 crore, with modest operating profit of Rs.20.2 crore in FY2023 (though, there has been a year-on-year improvement in the same). The profitability remained muted owing to moderation in revenues because of lower deliveries and low margins in certain projects. The company's overall debt levels increased to ~Rs. 183 crore as on March 2023 (includes lease liabilities) from ~Rs. 180 crore as of March 2022. However, ICRA notes that the company has been maintaining negative net debt status at around Rs. 60 crore as on March 2023 and a significant portion of the debt outstanding comprises non-convertible debentures (NCDs) in certain projects, wherein the debt servicing obligations are linked to the cash flows to be generated from the underlying projects.

Further, the rating factors in the execution and market risk associated for its unsold area and planned projects especially given the significant expansion plans in newer geographies like Gurugram. Despite healthy collections, the company's CFO for FY2023 was constrained by back-ended payment structure for few of its new launches and high project marketing cost for recently launched as well as planned launches. Timely launch of upcoming projects, along with healthy sales and collection momentum, would be critical for improving the CFO. The company also remains exposed to external factors such as the inherent cyclicity in the real estate industry and regulatory risks.

¹ Cash flow adequacy ratio = Receivables from sold area / (pending construction cost + total debt outstanding)

ICRA has also Reaffirmed and withdrawn the rating on the Rs. 65.2-crore non-convertible debentures of AHL as the same was redeemed and repaid by the company, and there is no amount outstanding against the rated instruments. The ratings have been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

The Stable outlook on the long-term rating of [ICRA]A reflects ICRA's opinion that the company will continue to benefit from its established brand and market position. ICRA expects AHL to report healthy operating cash flows in relation to its net debt, backed by increased collections from existing and new projects. ICRA will continue to monitor any large investment in land bank and its impact on the company's liquidity and leverage position.

Key rating drivers and their description

Credit strengths

Established position and brand name – AHL has a track record of more than 40 years in the real estate market. At present, it is developing 6.2 million sq. ft. of projects of which around 76% has been sold as on March 31, 2023. The company has strong in-house project execution capability and a robust sales track record, as demonstrated through 76% of the launched area having been sold as on March 31, 2023. Moreover, AHL has strong brand presence in regions like Jaipur, Bhiwadi, Jodhpur, and Jamshedpur. It has also established its presence in the senior living segment.

Healthy operational performance in FY2023 – The company reported healthy operating performance in FY2023, which is expected to sustain in FY2024, supported by continued end-user demand and good affordability. AHL sold 2.6 msf of area and reported sales of Rs. 1,313 crore in FY2023, a YoY growth of 75% and 129%, respectively. Supported by healthy sales in the past 12-18 months along with a healthy pipeline of upcoming projects (launch pipeline is estimated at ~2 to 2.5 msf for FY2024), the collections are estimated to grow by ~30-35% YoY in FY2024. This is likely to result in a comfortable leverage of Total Debt/ CFO below ~2.0 times.

Healthy cash flow adequacy ratio and low leverage – AHL's committed cash flow cover² remained healthy at 97%, against the pending cost and outstanding debt as on March 31, 2023, owing to healthy sales in the newly launched projects. In addition, despite the incremental borrowings during the year, AHL has been able to maintain its negative net debt position as on March 31, 2023.

Credit challenges

Relatively moderate scale of operations and muted profitability – AHL's scale of operations and profitability remains modest relative to other players in the same rating category. The company reported revenue from operations worth Rs. 399.6 crore, with a modest operating profit of Rs. 20.2 crore in FY2023 (though, there has been a year-on-year improvement in the same). The profitability remained muted owing to moderation in revenues because of lower deliveries and low margins in certain projects.

Execution and market risks due to planned launches in medium term – The company has significant expansion plans, which exposes it to execution and market risks. AHL will be largely relying on customer advances for funding the construction costs.

Exposure to risks and cyclicity in India's real estate sector – The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure, because of a large number of regional players. Being a cyclical industry, the real estate sector is highly dependent on macroeconomic factors, which in turn render the company's sales vulnerable to any downturns in demand and competition within the region from various established developers. The risks are heightened by the dependence on a single micro-market for sales and revenues.

² Cash flow adequacy ratio = Receivables from sold area / (pending construction cost + total debt outstanding)

Liquidity position: Strong

AHL's liquidity position is expected to remain strong on the back of healthy unencumbered cash balances and CFO. The unencumbered cash and cash equivalents stood at ~Rs. 195.8 crore as on March 31, 2023. The cash flow adequacy ratio was healthy, at around 97% as on March 31, 2023.

Rating sensitivities

Positive factors – Significant and sustainable improvement in the scale of operations and profitability while maintaining healthy cash flows, leverage position and liquidity profile would be a positive trigger.

Negative factors – Pressure on the rating could emerge in case of significant decline in scale or profitability, delays in project execution, or significant unbudgeted debt-funded investments, leading to deterioration in the liquidity and cash flow position. Further, drop in cash flow adequacy ratio below 60%, on a prolonged basis, will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Real Estate Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered AHL's consolidated financials as enlisted in Annexure-2.

About the company

AHL was incorporated in 1986 in Kolkata by Mr. Om Prakash Gupta. The company has been involved in real estate development activities since its inception. At present, it is developing several projects, mainly residential housing projects, including senior living.

Key financial indicators (audited)

AHL Consolidated	FY2022	FY2023
Operating Income (Rs. crore)	203.9	399.6
PAT (Rs. crore)	-24.9	20.1
OPBDIT/OI (%)	-13.2%	5.1%
PAT/OI (%)	-12.2%	5.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.5	1.9
Total Debt/OPBDIT (times)	-6.5	9.1
Interest Coverage (times)	-5.5	6.6

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; the above financial numbers and ratios reflect the analytical adjustments made by ICRA and may not be comparable with the reported financials

Status of non-cooperation with previous CRA: Not applicable

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 as on Mar 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					June 16, 2023	June 24, 2022	June 25, 2021	June 8, 2020
1	Non-convertible Debentures	Long Term	20.0	2.3	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA] A (Stable)
2	Term Loans	Long Term	-	-	-	-	-	[ICRA] A (Stable)
3	Non-convertible Debentures ³	Long Term	65.2	1.8**	[ICRA]A (Stable); reaffirmed and withdrawn	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
4	Unallocated ⁴	Long Term	50.0	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)

** The amount raised was Rs.100 crore, against which outstanding as on March 31, 2023 was Rs.1.8 crore, which has been subsequently been redeemed in April 2024

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Unallocated	Not applicable
Non-convertible Debentures	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](#)

³ The amount raised was Rs.100 crore, against which outstanding as on March 31, 2022 is Rs.11.5 crore

⁴ There is no bank facility outstanding against the unallocated amount

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE365D07077	NCD 1	April 2018	10.1%	April 2023	65.2	[ICRA]A (Stable); reaffirmed and withdrawn
INE365D08018	NCD 2	July 2018	8%	FY2038	20.0	[ICRA] A (Stable)
-	Unallocated ⁵	-	-	-	50.0	[ICRA] A (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis:

Company Name	AHL Ownership	Consolidation Approach
Ashiana Housing Limited	100.00% (rated entity)	Full Consolidation
Ashiana Maintenance Services LLP	99.7	Full Consolidation
Latest Developers Advisory Ltd	100%	Full Consolidation
Topwell Projects Consultants Ltd	100%	Full Consolidation
Ashiana Amar Developers	100%	Full Consolidation
Kairav Developers Ltd	50%	Full Consolidation
Ashiana Greenwood Developers	50%	Full Consolidation
Megha Colonizers	50%	Full Consolidation
Ashiana Manglam Builders	50%	Full Consolidation
Vista Housing	50%	Full Consolidation

Source: Limited review results FY2023

⁵ There is no bank facility outstanding against the unallocated amount

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