January 24, 2024

ANS Developers Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	85.00	185.00	[ICRA]BBB(Stable); rating reaffirmed/ assigned for enhanced amount
Total	**85.00**	**185.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for the bank facilities of ANS Developers Private Limited (ANS) factors in the expected improvement in the Shalimar Group's[1] sales and collections in FY2024, driven by healthy sales velocity in the ongoing projects and new project launches. The Group has launched three new projects during the past 12 months having a total saleable area of around 13.75 lakh square feet (lsf). The area sold for the Group's ongoing projects (including recent launches) is at 68% as of October 2023. The sales are estimated to grow by ~22% to around Rs. 730-750 crore in FY2024 (PY: Rs. 606 crore). Consequently, the collections are expected to grow by 25%-27% in FY2024 (PY: Rs. 424 crore). This is likely to result in an improvement in the cash flow from operations and overall leverage levels with estimated total debt/CFO at around 2.2-2.4 times as of March 2024 (PY: 3.6 times as of March 2023). The rating favourably factors in the Shalimar Group's long and established track record in the real estate business. The Group is one of the leading players in the real estate sector in Lucknow and enjoys an established position and strong brand name in its key territory. Further, the Group has a diversified asset portfolio spread across the real estate sector encompassing commercial, residential and retail segments. The rating derives comfort from the Group's low cost fully paid-up land bank, with well-located parcels across Lucknow and having diverse land usages, which provides healthy visibility of launches.

The rating is, however, constrained by the Group's exposure to market risk for the under-development projects with 32% of the area yet to be sold as of October 2023. The company has high execution risk as 57% cost is yet to be incurred in its ongoing projects, along with a significant launch pipeline. The rating is constrained by the moderate occupancy levels and elevated leverage of the Group's single mall property (guaranteed by Shalimar Corp Limited, flagship company of the Group) having sizeable debt repayment obligations over the medium term, which is likely to impact its free cash flows. Notwithstanding the improvement in the cash flow adequacy ratio to 57% as of October 2023 (43% as of August 2022), it continues to remain moderate and there is reliance on customer advances for meeting the expenses of ongoing projects, which exposes the Group to funding risks. Moreover, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand. The rating factors in the stiff competition within the region from various other developers, especially considering that the operations are mostly concentrated in Lucknow. The rating also considers the equity commitment of around Rs. 120 crore towards its first hybrid annuity mode (HAM) road project, of which the Group has already invested ~94% as of October 2023. Any further support for the Group's infrastructure projects will have an adverse impact on the cash flows and will be a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will receive adequate collections from the healthy sales of its ongoing projects as well as new launches and will continue to benefit from its established track record and strong brand recall in Lucknow, while maintaining adequate liquidity.

[1]ICRA has consolidated the operational, business and financial risk profile of Shalimar Corp Limited (SCL), along with its three subsidiaries (ANS Developers Private Limited, Shalimar Malls Private Limited and Shalimar KSMB Project) as these entities are involved in real estate operations, have operational synergies with common management and common treasury team. SCL's support to Shalimar Road Infrastructures Private Limited is expected to be limited to the equity infusion for the project and limited corporate guarantee provided.

Key rating drivers and their description

Credit strengths

Expected improvement in sales and collections – The Group's sales and collections are expected to improve in FY2024, driven by healthy sales velocity in the ongoing projects and new project launches. The Group has launched three new projects during the past 12 months having a total saleable area of around 13.75 lsf. The area sold for the Group's ongoing projects (including recent launches) stood at 68% as of October 2023. The sales are estimated to grow by ~22% to around Rs. 730-750 crore in FY2024 (PY: Rs. 606 crore). Consequently, the collections are expected to grow by 25%-27% in FY2024 (PY: Rs. 424 crore). This is likely to result in an improvement in the cash flow from operations and the overall leverage levels with estimated total debt/CFO at around 2.2-2.4 times as of March 2024 (PY: 3.6 times as of March 2023).

Long and established track record of the Group in real estate business in Lucknow – The rating actions favourably factors in the Shalimar Group's long and established track record in the real estate business. The Group is one of the leading players in the real estate sector in Lucknow and enjoys an established position and strong brand name in its key territory. Further, the Group has a diversified asset portfolio spread across the real estate sector encompassing commercial, residential and retail segments. The rating derives comfort from the Group's low cost fully paid-up land bank, with well-located parcels across Lucknow and having diverse land usages, which provides healthy visibility of launches.

Credit challenges

Exposure to execution and market risks; moderate cash flow adequacy ratio – The Group remains exposed to the market risk for the under-development projects with 32% of the area yet to be sold as of October 2023. The company has high execution risk as 57% cost is yet to be incurred in its ongoing projects, along with a significant launch pipeline. Notwithstanding the improvement in the cash flow adequacy ratio to 57% as of October 2023 (43% as of August 2022), it continues to remain moderate and there is reliance on customer advances for meeting the expenses of the ongoing projects, which exposes the Group to funding risks.

Moderate occupancy at the mall property and sizeable medium-term debt repayments – The rating factors the moderate occupancy levels and elevated leverage of the Group's single mall property (guaranteed by Shalimar Corp Limited, flagship company of the Group) having sizeable debt repayment obligations over the medium term, which is likely to impact the Group's free cash flows. The rating considers the equity commitment of around Rs. 120 crore towards the Group's first hybrid annuity mode (HAM) road project, of which the Group has already invested ~94% as of October 2023. Any further support for the Group's infrastructure projects will have an adverse impact on its cash flows and will be a key monitorable.

Exposure to cyclicality in real estate sector – Being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand. The rating factors in the stiff competition within the region from various other developers, especially considering that the operations are mostly concentrated in Lucknow.

Liquidity position: Adequate

The Group's liquidity position is expected to remain adequate, supported by adequate unencumbered cash and bank balances of around Rs. 69.9 crore and undrawn bank limits aggregating to around Rs. 165 crore as of October 2023. Further, it has scheduled debt repayments to the tune of ~Rs. 88 crore in FY2024 and ~Rs. 90 crore in FY2025, which are expected to be adequately met from its cash flow from operations, along with available free cash and bank balances. Also, the Group is dependent on customer advances and undrawn bank limits to meet the pending cost for its ongoing projects.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case there is a significant and sustainable improvement in sales and collections, along with considerable improvement in debt protection metrics, while maintaining adequate liquidity position. Further, increase in cash flow adequacy ratio above 60%, on a consistent basis, will be a positive trigger.

Negative factors – The rating could be downgraded in case of a significant decline in sales or collections, slippages in project execution, or considerable land investments, resulting in deterioration in debt protection metrics or liquidity position on a prolonged basis. Further, fall in cash flow adequacy ratio below 40%, on a consistent basis, will be a negative trigger. Additionally, cost overrun, or higher-than-envisaged support required in the Group's infrastructure projects will put negative pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Residential/Retail/Commercial
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view for Shalimar Corp Limited (SCL) and its subsidiary, ANS Developers Private Limited (ANS), given the operational and managerial linkages, along with cash flow fungibility between SCL and ANS. For arriving at the rating, ICRA has consolidated the operational, business and financial risk profile of Shalimar Corp Limited (SCL), along with its three subsidiaries (ANS Developers Private Limited, Shalimar Malls Private Limited and Shalimar KSMB Project) as these entities are involved in real estate operations, have operational synergies with common management and common treasury team. SCL's support to Shalimar Road Infrastructures Private Limited is expected to be limited to equity infusion for the project and limited corporate guarantee provided.

About the company

ANS, incorporated in 2006, is a subsidiary of Shalimar Corp Limited (SCL), which is the flagship company of the Shalimar Group's real estate and civil work construction businesses. The company is involved in the development and sale of real estate projects primarily in Lucknow (Uttar Pradesh). It was acquired by the Shalimar (Lucknow) Group and Goenka Group in 2010 from ANS Construction Private Limited, based out of Delhi. At present, SCL holds 66% of equity in ANS, while the Goenka Group holds 34% of equity in ANS. The company is executing 7 residential real estate projects in Lucknow (Uttar Pradesh) with a total saleable area of 3.4 million square feet (msf).

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	566.3	618.9
PAT	18.1	18.2
OPBDIT/OI	14.5%	13.1%
PAT/OI	3.2%	2.9%
Total outside liabilities/Tangible net worth (times)	1.6	1.8
Total debt/OPBDIT (times)	7.4	7.7
Interest coverage (times)	2.0	2.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBIDT.
Source: Company annual reports, ICRA Research; Consolidation done by ICRA, the above numbers may not be comparable with ANS's reported financials.

Status of non-cooperation with previous CRA – NA

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 on October 31, 2023	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				January 24, 2024	November 09, 2022	-	-
1 **Term loan**	Long term	185.0	55.0	**[ICRA] BBB (Stable)**	**[ICRA] BBB (Stable)**	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Term loan	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	Term loan	July 2022	-	March 2026	185.0	[ICRA] BBB (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Shalimar Corp Limited Ownership	Consolidation Approach
Shalimar Corp Limited	-	Full Consolidation
ANS Developers Private Limited	51.26%	Full Consolidation
Shalimar Malls Private Limited	90.00%	Full Consolidation
Shalimar KSMB Projects	51.37%	Full Consolidation
Shalimar Road Infrastructure Private Limited	99.99%	Limited Consolidation

Source: Company

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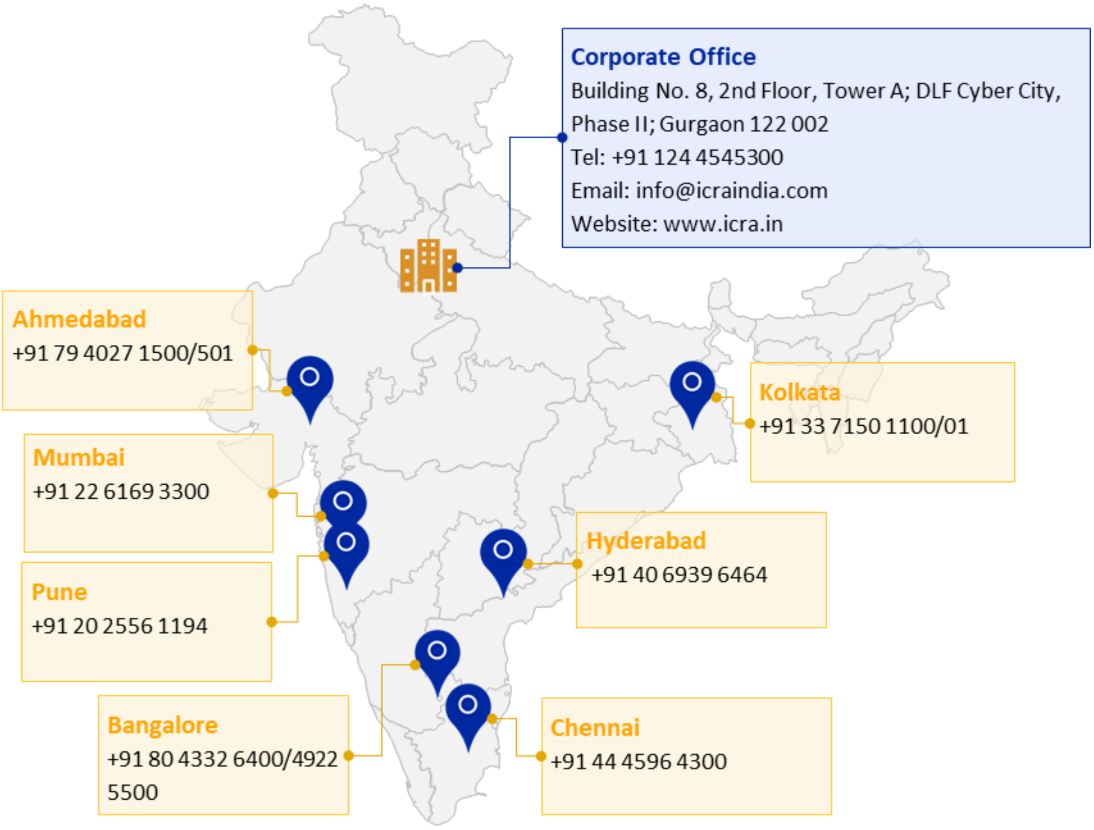

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