February 13, 2024

Ansal Housing Limited: Rating reaffirmed and removed from Issuer Non Cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	23.23	23.23	[ICRA] D; reaffirmed and removed from ISSUER NOT COOPERATING category
Short-term – Non-fund based	50.00	50.00	[ICRA] D; reaffirmed and removed from ISSUER NOT COOPERATING category
Total	**73.23**	**73.23**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has reaffirmed the rating of Ansal Housing Limited (AHL) and has removed the rating from the Issuer Not Cooperating (INC) category. The rating action factors in the continued irregularities in debt servicing by AHL on account of poor liquidity due to weak project collections. The cash inflows from projects 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. At a consolidated level, the company has been incurring net losses over the last six years on account of low cash flow generation and high interest cost burden. AHL defaulted on debt of Rs. 341.47 crore (including interest accrued and due) pertaining to Industrial Finance Corporation of India Limited (IFCI Ltd.) and HDFC Bank has been assigned to Suraksha Asset Reconstruction Company (SARC) for restructuring of debt.

ICRA, however, takes into account that the promoters' long presence in the industry, which have helped the Group to establish strong relationships with its customers and key suppliers. This has resulted in a diversified project portfolio in terms of micromarket, 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 micromarkets, which helps to cater to a wide clientele. It has presence in metro cities as well as in tier-1 and tier-2 cities, namely Delhi, Mumbai, Gurgaon, Ghaziabad, Agra, Meerut, Indore, Alwar, Ajmer, etc.

Credit challenges

Delays in debt servicing – There have been delays in debt servicing by the company due to weak collections from its projects. Its cash flows are inadequate to meet its debt obligations in a timely manner.

High reliance on incremental sales and collections to meet debt obligations – While the pending collections of Rs. 329 crore are sufficient to cover the pending cost of around Rs. 262 crore as of September 2023, incremental sales generated from the sales of unsold inventory valued at Rs. 643 crore and collections thereof 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 (FY2018 – FY2023) on account of low cash flow generation and high interest cost burden. However, AHL has reported a profit before tax of Rs. 1.74 crore, indicating a significant improvement in operational performance, despite net loss of Rs. 5.1 crore reported in the quarter that ended September 30, 2023.

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 affect 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 favourable for 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 company's liquidity is poor due to a deficit in cash flows because of slow sales velocity and weak customer collections. Further, ICRA notes that AHL has repayments of Rs. 310.7 crore in FY2024. The 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 timely in its debt servicing, on a sustained basis, and reports an improvement in its sales and cash flows on a prolonged basis.

Negative factors – Not Applicable

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Policy on default recognition
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has consolidated the financials of AHL and its subsidiaries as given in Annexure II

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 Consolidated	FY2022	FY2023
Operating income	235.8	247.9
PAT	-23.3	-61.4
OPBDIT/OI	19.5%	18.6%
PAT/OI	-9.9%	-24.7%
Total outside liabilities/Tangible net worth (times)	12.9	16.3
Total debt/OPBDIT (times)	5.4	3.2
Interest coverage (times)	0.5	0.6

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBIDT; Source: Company, ICRA Research

Status of non-cooperation with previous CRA:

CRA	Rating Action	Date of Release
India Ratings	**IND D (ISSUER NOT COOPERATING)**	**January 18, 2023**

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 March 31, 2023	Date & Rating in FY2024			Date & rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Feb 13, 2024	Aug 29, 2023	Apr 06, 2023	-	Mar 31, 2022	Dec 11,2020
1	Fund-based – Working capital limits	Long Term	23.23	-	[ICRA] D	[ICRA]D; ISSUER NOT COOPERATING	[ICRA] D	-	[ICRA] D	[ICRA] D
2	Non-fund based	Short Term	50.00	-	[ICRA] D	[ICRA]D; ISSUER NOT COOPERATING	[ICRA] D	-	[ICRA] D	[ICRA] D

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
Subsidiary Companies		
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

Source: Company data, ICRA Research

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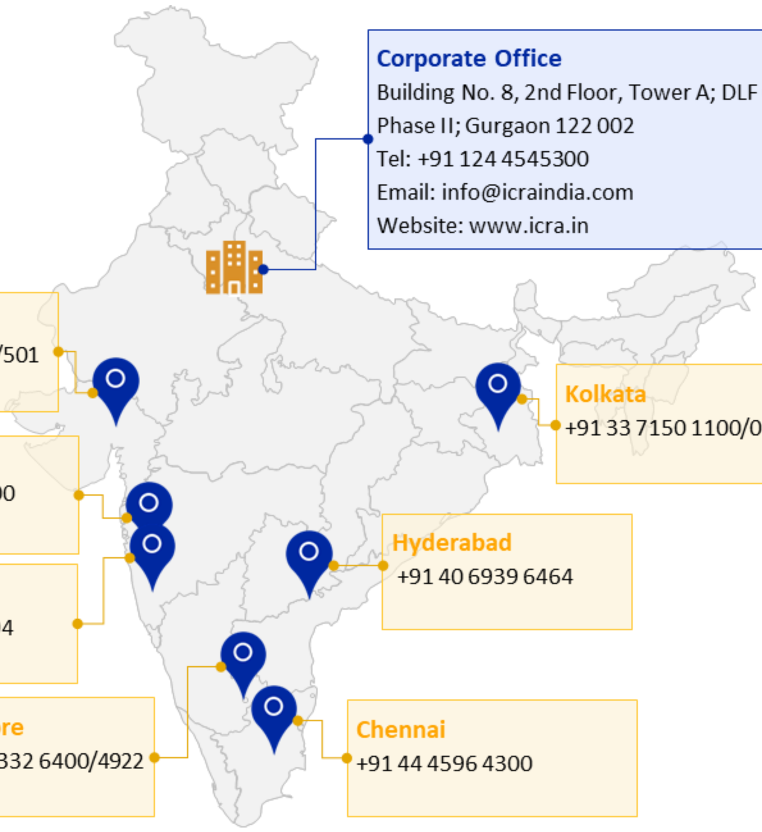

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