June 24, 2022

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 (NCD)	20.0	20.0	[ICRA]A (Stable); reaffirmed
Non-convertible Debentures 2 (NCD)	65.2	65.2	[ICRA]A (Stable); reaffirmed
Unallocated	50.0	50.0	[ICRA]A (Stable); reaffirmed
Total	**135.2**	**135.2**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation takes into account Ashiana Housing Limited's (AHL) long and established track record in residential real estate development, with demonstrated project execution capabilities and strong brand image in its key markets. Despite the pandemic-led disruptions in FY2022, the company demonstrated healthy operational performance with steady sales volumes and growth in collections. AHL sold 14.8 lsft area in FY2022 against 15.0 lsft area in FY2021. The collections also increased ~38% on a year-on-year (YoY) basis. Further, as on March 31, 2022, AHL reported 41.5 lsft of area under development, of which 31.6 lsft (76% of launched area) has been sold. The company is expected to report healthy operational metrics going forward, backed by a pipeline of upcoming launches, including Ashiana Amarah and Ashiana Mahindra World City Chennai. It has maintained a healthy liquidity profile, with consolidated cash and equivalents of Rs. 237.2 crore as on March 31, 2022.

Nevertheless, the rating remains constrained by AHL's relatively modest scale of operations and muted profitability. The company reported revenue from operations[1] worth Rs. 203.9 crore, with an operating loss in FY2022 primarily due to lower project deliveries. Its overall debt levels increased to Rs. 180.7 crore as on March 2022 (includes guaranteed debt and lease liabilities) from Rs. 97.7 crore as of March 2021, which has led to a decline in the cash flow adequacy ratio to 60% in March 2022 from 76% in December 2020. However, ICRA notes that 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 its sizeable expansion plans, including projects requiring incremental land acquisition, in partnership with International Finance Corporation (IFC). ICRA considers AHL's exposure to high execution and funding risks, given the large area under development, with most of the construction cost planned to be met through timely and adequate customer collections. The company also remains exposed to external factors such as the inherent cyclicality in the real estate industry and regulatory risks.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that AHL will continue to benefit from its long and established track record, its healthy sales, execution and collection velocity, and strong liquidity position. Further, while most of the debt required to finance the upcoming large-scale project has been tied up, AHL will be significantly relying on customer advances for executing the same. ICRA will continue to monitor any large investment in land bank and its impact on the company's liquidity and leverage position.

[1] The financial numbers and ratios reflect analytical adjustments made by ICRA and may not be comparable with AHL's reported financials

Key rating drivers and their description

Credit strengths

Established position and brand name in mid-income housing and senior living segments – AHL has a track record of more than 40 years in the real estate market. At present, it is developing 17 projects including additional phases of the completed projects as well as greenfield projects. 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, 2022. 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 FY2022 – Like other players in the residential real estate sector, AHL too faced disruptions due to the pandemic in FY2021 and FY2022. Nonetheless, the company was able to report healthy bookings, increase in average unit realisation and improvement in collections in FY2022. AHL sold 14.8 lsft area in FY2022 against 15.0 lsft area in FY2021. The collections also increased ~38% on a YoY basis. Also, the newly launched projects in FY2022 witnessed strong bookings.

Strong liquidity and capital structure – Despite the pandemic-related disruption and incremental debt availed in FY2022, AHL has been able to maintain its negative net debt position of Rs. 56.5 crore as on March 31, 2022. Also, the company has maintained healthy liquidity with consolidated cash and equivalents of Rs. 237.2 crore as on March 31, 2022.

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. 203.9 crore and operating loss in FY2022 primarily due to lower project deliveries. The profitability in the past remained muted owing to moderation in revenues because of lower deliveries and fixed nature of expenses incurred including marketing, employee expenses and maintenance cost of the unsold inventory. Additionally, the low profitability and subdued growth in realisations of certain projects impacted its profitability.

High execution and funding risks due to planned significant launches in medium term – AHL has launched multiple projects over the last two years and will be launching two new projects in partnership with IFC in the medium term with significant saleable area. The company's overall debt levels increased to Rs. 180.7 crore (includes guaranteed debt and lease liabilities) from Rs. 97.7 crore as of March 2021, due to the debt availed for land acquisition for certain projects. However, ICRA notes that a significant portion of the debt outstanding comprises NCDs, wherein debt servicing obligations are linked to the cash flows to be generated from the underlying projects. The large scale of upcoming development, however, exposes AHL to project execution risk as well as funding risks.

Exposure to risks and cyclicality in real estate sector in India – The real estate sector is cyclical and marked by volatile prices and a highly fragmented market structure because of the presence of a large number of regional players. Moreover, the multiplicity of property laws and non-standardised Government regulations across states are likely to affect the tenure of project execution. In addition, being a cyclical industry, real estate is highly dependent on macro-economic factors. This, in turn, makes the company's sales vulnerable to any downturn in real estate demand and competition within the region from various established developers.

Liquidity position: Strong

Despite the investment in the new project in Gurgaon and Chennai, AHL's liquidity position is expected to remain strong on the back of healthy free cash flows and controlled debt levels. Additionally, the company maintained healthy liquidity with consolidated cash and equivalents of Rs. 237.2 crore as on March 31, 2022.

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 Rating Methodology for Real Estate Entities
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 inception. At present, it is developing several projects, mainly residential housing projects, including senior living. The projects are being developed in phases and are in different stages of completion. Some of the projects are being developed in JVs with other developers.

Key financial indicators[2]

AHL Consolidated	FY2021	FY2022
Operating Income (Rs. crore)	232.7	203.9
PAT (Rs. crore)	-7.5	-24.9
OPBDIT/OI (%)	-3.6%	-13.2%
PAT/OI (%)	-3.2%	-12.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	1.5
Total Debt/OPBDIT (times)	-8.1	-6.5
Interest Coverage (times)	-0.9	-5.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Source: Company annual reports, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[2] *The above financial numbers and ratios reflect analytical adjustments made by ICRA and may not be comparable with AHL's reported financials*

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					June 24, 2022	June 25, 2021	June 8, 2020	June 21,2019
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)	[ICRA] A (Stable)
3	Non-convertible Debentures[3]	Long Term	65.2	11.5	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA] A (SO) (Stable)
4	Unallocated[4]	Long Term	50.0	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA] A (Stable)

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Unallocated	Not applicable
Non-convertible Debentures 1	Simple
Non-convertible Debentures 2	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

[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-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE365D08018	NCD	July 2018	-*	-*	20.0	[ICRA] A (Stable)
INE365D07077	NCD[3]	April 2018	10.1%	March 2024	65.2	[ICRA] A (Stable)
-	Unallocated[4]	-	-	-	50.0	[ICRA] A (Stable)

*Source: Company; * committed range of IRR between 8-14% on per project basis, the maturity date will be eight years from the start of a particular project.*

Annexure-2: 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 Manglam Developers	65%	Full Consolidation
Ashiana Greenwood Developers	50%	Full Consolidation
Megha Colonizers	50%	Full Consolidation
Ashiana Manglam Builders	50%	Full Consolidation
Vista Housing	50%	Full Consolidation

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4067 6527
rajeshwar.burla@icraindia.com

Mathew Kurian Eranat
+91 80-4332 6415
mathew.eranat@icraindia.com

Kapil Banga
+91 124-4545 391
kapil.banga@icraindia.com

Sugandha Mahajan
+91 124-4545 398
sugandha.arora@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

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