

March 07, 2022

## Aastha Infracity Limited: Rating upgraded to [ICRA]B+ (Stable) from [ICRA]B (Stable) and removed from Issuer Not Cooperating Category

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Term Loan	48	48	[ICRA]B+ (Stable); upgraded from [ICRA]B (Stable) ISSUER NOT COOPERATING
<b>Total</b>	<b>48</b>	<b>48</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has upgraded the rating assigned to Aastha Infracity Limited's (AIL) bank lines and removed it from Issuer Not Cooperating (INC) category, owing to the company's cooperation in concluding the rating exercise, along with a healthy traction in the sales and execution on the company's residential project Aastha Greens. Almost 80% of the construction cost has been incurred implying significant mitigation of execution risk. Out of the project's 9.5 lakh square feet saleable area, it sold 7.5 lakh square feet (79%), reducing the exposure to marketing risk. Further, ICRA's rating draws comfort from the established track record of the promoters in the real estate industry.

The rating is, however, constrained by AIL's modest scale of operations, the exposure to geographical and project concentration risks due to dependence on a single project, weak profitability of the company's project, and large debt repayments in Q4 FY2022 and FY2023, resulting in high dependence on bookings and collections in the near term. ICRA also considers the intense competition in the vicinity of AIL's project, which limits the pricing power and profitability margin. AIL reported an operating loss of Rs. 7.13 crore and net loss of Rs. 7.28 crore in FY2021.

### Key rating drivers and their description

#### Credit strengths

- **Extensive experience of promoters** – The company's key shareholders - Surya Nestbuild Ltd., Nutan Construction, Kashyap Construction and Mahesh Realtors Construction - have a long and established track record in the real estate sector and have successfully delivered multiple projects.
- **79% of area sold** – The company has already sold 79% of the project's units, reducing the exposure to marketing risk. Further, with the project nearing completion, the sales may improve in the near term.
- **Advanced stage of execution** – 75% of the construction work has been completed and the project is expected to be completed in FY2023, mitigating the execution risk to a large extent.

#### Credit challenges

- **Modest scale of operations** – The company's scale of operations are modest, characterised by single mid-income housing project in Greater Noida with a saleable area of 9.5 lakh sq ft.
- **Large repayments in Q4 FY2022 and FY2023** – The repayment in the near term remains elevated, leading to high dependence on booking and timely collections.
- **Increased competition and poor profitability** – The Greater Noida market witnessed increased competition due to large supply getting bunched-up owing to the state Government's attractive policies in the region, limiting the pricing

power and profitability margin of players, including AIL, in the region. The company reported an operating loss of Rs. 7.13 crore and net loss of Rs. 7.28 crore in FY2021.

- **Geographical concentration risk** – The company’s revenue profile is concentrated on one project in Greater Noida, resulting in increased geographical concentration risk.

## Liquidity: Stretched

The company’s liquidity position has remained stretched with free cash and balances of Rs. 0.87 lakh as on March 31, 2021. The sanctioned term loan of Rs. 48 crore has already been fully drawn down, while the repayments remain elevated in the near term. Thus, this increases the dependence on fresh sales and timely collections.

## Rating sensitivities

**Positive factors** – ICRA could upgrade AIL’s rating if there is a significant improvement in the sales, cash flows and profitability, leading to improvement in debt protection metrics and its liquidity position.

**Negative factors** – Pressure on the rating could emerge if delays in project execution, slower-than-expected sales and collections, or significant unbudgeted debt-funded investments, leads to further deterioration in AIL’s liquidity and leverage position.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Real Estate Methodology</a> <a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Incorporated in 2010, AIL has started developing a residential project — Aastha Greens — in Greater Noida West, Uttar Pradesh in June 2015. The project has G+19 floors and saleable area of over ~9.5 lakh sq ft of saleable area. The project cost is estimated at Rs. 325 crore and is envisaged to be funded by debt of Rs. 48 crore, customer advances of Rs. 233 crore and promoter funds of Rs. 44.0 crore. The company is promoted by Mr. Sanjay Kumar and Mr. Arun Kumar.

## Key financial indicators – Standalone

	FY2020	FY2021
	Audited	Audited
Operating Income (Rs. crore)	56.48	38.04
PAT (Rs. crore)	4.78	-7.28
OPBDIT/OI (%)	8.9%	-18.7%
PAT/OI (%)	8.5%	-19.1%
Total Outside Liabilities/Tangible Net Worth (times)	175	13.83
Total Debt/OPBDIT (times)	14.19	-11
Interest Coverage (times)	265	-445

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non- cooperation with previous CRA: Not applicable

Any Other Information: None

### Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding * (Rs. crore)	Date & Rating on	Date & rating on	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
1	Term Loan	Long Term	48	48	[ICRA] B+ (Stable)	[ICRA] B(Stable); ISSUER NOT COOPERATING	[ICRA] B(Stable); ISSUER NOT COOPERATING	NA	[ICRA]B (Stable)

\* outstanding as on December 31, 2021

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	November 2015	--	March-2024	48	[ICRA]B+ (Stable)

Source: Company

### Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
NA	NA	NA

## ANALYST CONTACTS

**Rajeshwar Burla**

+91 40 4067 6527

[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Mathew Kurian Eranat**

+91 80 4332 6415

[mathew.eranat@icraindia.com](mailto:mathew.eranat@icraindia.com)

**Kapil Banga**

+91 124 4545 391

[kapil.banga@icraindia.com](mailto:kapil.banga@icraindia.com)

**Prateek Koolwal**

+91 80 4332 6417

[Prateek.koolwal@icraindia.com](mailto:Prateek.koolwal@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.