CARE Ratings
Professional Risk Opinion

CARE/DRO/RL/2019-20/3998
Shri Vikas Dugar
Chief Financial Officer
Ashiana Housing Limited
304, Southern Park,
Saket District Center, Saket,
New Delhi, Delhi - 110017

March 31, 2020

Dear Sir,

Issuer Rating

On the basis of recent developments including operational and financial performance of your company for FY19 (audited) and 9MFY20 (provisional), our Rating Committee has reviewed the following rating:

Type of Rating	Rating[1]	Rating Action
Issuer Rating	**CARE A (Is); Stable** **[Single A (Issuer Rating); Outlook: Stable]**	**Reaffirmed**

2. The rating is only an opinion on the general creditworthiness of the company and not specific to any particular debt instrument.
3. The rating is subject to the company maintaining overall gearing not exceeding 0.4x
4. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 03, 2020, we will proceed on the basis that you have no any comments to offer.
5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating CARE shall carry out the review on the basis of best available information throughout the life time of the entity. In such cases the credit rating symbol shall be accompanied by “ISSUER NOT COOPERATING”. CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE’s Issuer Ratings are **not** recommendations to buy or sell any securities of the issuer.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Agnimitra Kar
Senior Manager
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Encl.: As above

Disclaimer

CARE’s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE’s ratings do not convey suitability or price for the investor. CARE’s ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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Ashiana Housing Limited

April 3, 2020

Ratings

Type of Rating	Rating[1]	Rating Action
Issuer Rating	CARE A (Is); Stable* [Single A (Issuer Rating); Outlook: Stable]	Reaffirmed

** The rating is subject to the company maintaining overall gearing not exceeding 0.4x*

Detailed Rationale & Key Rating Drivers

The reaffirmation of rating of AHL continues to factor in the experience of the promoters, its vintage of operation for several decades and project execution capabilities. The rating factors in the significant increase in project launches in FY19 and 9MFY20 which was met with affirmative demand as evidenced from robust booking and uptick in average realization. The rating takes into account the comfortable financial risk profile characterized by comfortable gearing and coverage metrics.

The rating, however, is constrained due to the execution risk for ongoing projects, lower expected project deliveries in medium term and subdued demand scenario in the real estate sector.

Rating Sensitivities

Positive Factors

- Higher-than-envisaged collection from on-going projects.
- Significant improvement in capital structure on sustained basis and ability to retain free cash balance in excess of Rs. 200 cr

Negative Factors

- Inability to sustain envisaged sales and average unit realization in new projects, thus impacting margins
- Significant increase in debt leading to deterioration in capital structure

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and project execution capabilities

AHL is managed by Mr. Vishal Gupta (Managing Director), Mr. Ankur Gupta (Joint MD) and Mr. Varun Gupta (Whole-time Director), who have decades of experience in construction, real estate and finance. AHL has completed real estate development of approximately 233.83 lakh square feet (lsf) of residential and commercial space as on December 31, 2019.

Increased project launches yet saleability risk has reduced

AHL had a small ongoing project portfolio of 14.67 lsf as on December 31, 2018. It increased significantly to 32.19 lsf as on December 31, 2019. Yet, saleability risk was not compromised - proportion of area booked to saleable area increased from 48.5% as on December 31, 2018 to 63% as on December 31, 2019.

After bottoming out in FY18, booking has increased significantly to 10.79 lsf in FY19 (PY: 6.93 lsf). Booking in 9MFY20 was 15.69 lsf, which was highest in last four years. This was due to two projects (Daksh and Aditya) launched in Jaipur and Jamshedpur in Q3FY20 which received robust response. On March 12, 2020 AHL had launched Amantran project in Jaipur having saleable area of 8.14 lsf, which received positive sales momentum.

Increasing average unit realization

The subdued demand had put pressure on average unit realization which declined from FY16 till 9MFY19. It bottomed out in FY19 at Rs. 3,055 per sq.ft (psf) but has increased to 4-yr high of Rs. 3,350 psf in 9MFY20. Better response from newly launched projects in last six months provides opportunity for AHL to increase prices, going forward.

Comfortable financial profile despite weak market scenario

The financial risk profile of AHL is characterized by comfortable gearing and debt protection metrics. Overall gearing remained stable at 0.21x as on March 31, 2019 (PY: 0.18x). The project costs are primarily funded out of customer advances and internal accruals with limited reliance on debt. Based on the strong booking collectively achieved during FY19 and FY20, collection is expected to significantly increase in FY21, thereby leading to improvement in cash coverage ratio.

Liquidity - Adequate

Liquidity profile is adequate characterized by strong collection from projects envisaged in FY20 and FY21 vis a vis manageable repayment obligation and unencumbered cash and liquid investment buffer of Rs. 143 cr (as on March 31, 2019). Capex requirement is expected to increase in FY20 and FY21 due to ongoing projects, for which AHL is projected to avail debt. Current ratio on consolidated basis continued to remain strong.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Key Rating Weaknesses

Low construction pace however on track

Lower booking in past 2-3 years has led to lower area constructed. The area constructed in FY19 and 9MFY20 was 7.68 lsf and 6.57 lsf (FY18: 8.16 lsf).

AHL had launched 11 projects (i.e both new and future phases of ongoing projects) in last 12 months ended Dec'19 having saleable area of 21.87 lsf and aggregate planned outlay of above Rs. 500 cr. The development pace has been on track. All projects where completion rate is less than 50%, have a residual time of at least 2 years to complete, thus providing adequate headroom for resource allocation and completion. Timely execution of the new projects would be key monitorable.

Delivery to reduce further

Delivery has been continuously dipping in last three audited years i.e 11.78 lsf. Lower booking in past 2-3 years has led to lower delivery in 9MFY20 at 4.70 lsf. It is expected to bottom out in next few quarters ahead. Till then, AHL is expected to book accounting loss (since AHL follows completed project method for revenue recognition).

Subdued industry scenario

The real estate industry had been facing issues related to subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, government policies, etc. thereby resulting in stress on cash flows. The continued impact of demonetization, implementation of GST, slowdown in service and manufacturing sector leading to moderation in consumer income, has impacted demand. Higher interest cost, albeit reduced, has also deterred the home buyers to some extent. The market sentiments indicate no significant trend reversal in Indian real estate market in 2020, given the adverse impact of COVID-19 on Indian economy. The company continues to be exposed to the inherent cycles of the real estate industry.

Analytical approach: Consolidated; the business and financial risk profiles of Ashiana Housing Ltd and its subsidiaries and associates have been combined. This is because all these entities, collectively referred to as the Ashiana group, have business and financial linkages and are under a common management. The list of subsidiaries which have been considered for consolidation (as on March 31, 2019) are as under:

Company name	% of shares held
Ashiana Maintenance Services LLP	99.70%
Latest Developers Advisory Ltd	100.00%
Topwell Projects Consultants Ltd	100.00%
Ashiana Amar Developers	100.00%
Ashiana Manglam Developers	65.00%
Ashiana Greenwood Developers	50.00%
Megha Colonizers	50.00%
Ashiana Manglam Builders	50.00%
Vista Housing	50.00%

Applicable Criteria

CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
Rating methodology for Real estate sector
Financial ratios – Non-Financial Sector
CARE's Policy for factoring linkages in ratings
CARE's Policy on Issuer Rating

About the Company

Incorporated in 1986 as Ashiana Housing and Finance India Limited and later rechristened to its present name; the Delhi-based Ashiana Housing Limited (AHL) is a mid-sized real estate player focused on residential projects in Tier-II cities. The company got listed on BSE in 1993 and on NSE in 2011. AHL develops middle income residential houses. Through its subsidiary Ashiana Maintenance Services LLP, it provides facility management services to group properties and maintains over 12,824 units as on March 31, 2019.

Brief Financials (Consolidated) (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	328.02	345.90
PBILDT	63.63	44.60
PAT	38.23	13.79
Overall gearing (times)	0.18	0.21
Interest coverage (times)	4.58	2.63

A: Audited

Status of non-cooperation with previous CRA: *Not Applicable*
Any other information: *Not Applicable*
Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	-	-	-	0.0	CARE A (Is); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1	Issuer Rating-Issuer Ratings	Issuer rating	-	CARE A (Is); Stable	-	1)CARE A (Is); Stable (28-Mar-19) 2)CARE A (Is); Stable (02-Apr-18)	1)CARE A (Is); Stable (11-May-17)	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**