CARE Ratings
Professional Risk Opinion

No. CARE/DRO/RL/2021-22/2486

Shri Vikas Dugar
Chief Financial Officer
Ashiana Housing Limited
1st Floor, Door 10, GJ Complex, First Main Road,
CIT Nagar, Chennai
Tamil Nadu 600035

November 16, 2021

Confidential

Dear Sir,

Issuer Rating

On the basis of recent developments including operational and financial performance of your company for FY21 (Audited) and H1FY22, our Rating Committee has reviewed the following ratings:

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 0.30x.
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 2**. 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 **November 17, 2021**; 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 /withdraws the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in

Karishma Bawaskar

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

the opinion 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 of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. 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,

Karishma Badhwar	
Karishma Badhwar	**Amit Jindal**
Analyst	Assistant Director
karishma.badhwar@careratings.com	amit.jindal@careratings.com

CARE Ratings Ltd.

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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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Annexure
Press Release
Ashiana Housing Limited

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Issuer rating Issuer Rating@	-	CARE A (Is); Stable [Single A (Issuer Rating); Outlook: Stable]	Reaffirmed
Total Instrument	**-**		
Non-Convertible Debentures	97.00	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Total Long-Term Instruments	**97.00 (Rs. Ninety-Seven Crore Only)**		

Details of instruments/facilities in Annexure-1

@The Issuer Rating is subject to the company maintaining overall gearing not exceeding 0.30 times as on March 31, 2022.

Detailed Rationale and key rating drivers

The rating continues to derive strength from the experience of the promoters, its vintage of operation for several decades and project execution capabilities in the residential real estate development. The rating factors in the healthy operational performance in terms of bookings and collections of AHL during FY21 and Q1FY22 despite challenges of Covid'19 induced countrywide lockdown. The rating favourably factors in the comfortable financial risk profile characterized by healthy gearing and coverage metrics.

The rating, however, is constrained due to low profitability and return metrics, project execution risk for ongoing projects as well as planned launches and cyclicality associated with real estate industry and exposure to local demand-supply dynamic.

Key Rating Sensitivity

Positive Factors

- Increase in quarterly collections above Rs 250 crore from the projects on sustained basis.
- Consistent increase in profitability margins as marked by PBILDT and PAT margins of 15% and 7.5% respectively.

Negative Factors

- Higher than envisaged increase in debt (more than Rs.300cr) leading to significant deterioration in capital structure.
- Inability to sustain envisaged average unit realization in new projects, thus adversely impacting profitability margins.
- Dip in average quarterly collection to Rs 75 crore on sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with 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 are professionally qualified and have experience in construction, real estate and

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

finance. Till June 30, 2021, the company had constructed 248.77 lsf of residential and commercial space in Rajasthan, Haryana, Jharkhand, Pune, Uttar Pradesh, Chennai, Kolkata, Gujarat and Delhi NCR.

Resilient operational performance despite restrictions due to Covid'19 outbreak

Operational performance remained resilient despite significant impact of Covid-19 pandemic. It is characterized by stable booking, increasing average unit realization, improvement in area constructed and collection during FY21 and H1FY22. Percentage area booked continued to remain stable at 65.47% as on June 30, 2021 from 59.52% of the saleable area as on December 31, 2020. Further, company witnessed improvement in its average realizations to Rs.3,571/sft in FY21 vis-à-vis Rs. 3389/sft in FY20 and area constructed at 11.66 lsf in FY21 (FY20: 9.85 lsf). Average unit realization stood at 3 year high in FY21. The average realisation increased to Rs 3675 sqft in Q2FY22 from Rs 3460 sqft in Q1FY22. Area constructed during FY21 was 11.66 lsf which is marginally higher than FY20 level which stood at 9.85 lsf. All projects where the percentage completion is less than 50%, have reasonable residual time for completion. The collections for FY21 have been higher than FY20 due to new bookings as well as stage payments from past year bookings. During H1FY22, AHL has received collections to the tune of Rs. 304 crore despite facing lockdown restrictions in Q1FY22.

Comfortable financial profile

The financial risk profile of AHL is characterized by modest debt position and comfortable gearing. AHL has continued to maintain comfortable overall gearing of 0.10x as on March 31, 2021 (PY: 0.18x). The total debt of the company declined to Rs. 71.38 crore as on March 31, 2021 (PY: Rs.136.49 cr). However, in H1FY22 the debt level has increased majorly due to issuance of NCDs of Rs. 97 crore and construction funding of Rs 55 crore taken from bank. The healthy net worth base of AHL maintains the capital structure comfortable. Based on the strong booking collectively achieved during FY20 and FY21 along with improvement in average realizations, collection is expected to significantly increase in FY22 thereby leading to improvement in cash coverage ratio.

Liquidity analysis: Strong- Liquidity profile of AHL is strong as characterized by healthy collection from projects that is Rs. 492 cr in FY21. Further, the company has received collections of Rs 304 crore upto September 30, 2021 vis-a-vis repayment obligation of Rs 50.64 crore and cash and liquid investment of Rs. 146.68 crore as on June 30, 2021. AHL has committed receivables of approximately Rs. 421.33 crore, covering 85% of the balance project cost and outstanding debt as on June 30, 2021.Capex requirement are expected to increase going forward due to its future and ongoing projects partially funded by debt. Current ratio on consolidated basis continued to remain strong at 2.36x in FY21.

Key Rating Weaknesses

Low profitability and return metrics on account of high overheads

During FY20, AHL suffered losses partially due to higher overheads expenses incurred and lower project deliveries. However, AHL has earned operating and net profit in FY21 though stood low as marked by PBILDT and PAT margins of 3.73% and 0.68% respectively. Further in H1FY22 (refers to the period April 01-September 30, 2021), AHL incurred operating and net losses.

Project execution risk on account of ongoing and planned launches

AHL is currently developing 20 on-going projects (different phases) in Chennai, Jaipur, Bhiwadi, Jodhpur, Jamshedpur and Pune as on June 30, 2021 with the total saleable area of 41.33 lsf out of which 14.27 lsf is unsold. The project costs are primarily funded out of customer advances and internal accruals with limited reliance on debt. Further, AHL plans to launch large scale projects in the medium term with significant saleable area which poses project execution risk. This includes projects in relatively new geographies. Although most of the debt required to finance the project has been tied up, AHL will be significantly relying on customer advances and healthy front-loaded collection for executing the same. Timely execution of the new projects would be a key monitorable going forward.

Cyclicality and seasonality associated with real estate industry and exposure to local demand-supply dynamic

The company is exposed to the cyclicality associated with real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on property markets. This exposes these companies to the vagaries of property markets. A high interest rate scenario could discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

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 (as is also evident from investments made), and are under a common management.

Entity	Shareholding
Ashiana Maintenance Services LLP	99.70%
Latest Developers Advisory Ltd	100%
Topwell Projects Consultants Ltd.	100%
Ashiana Amar Developers	100%
Kairav Developers Limited	100%
Ashiana Greenwood Developers	50.00%
Megha Colonizers	50.00%
Ashiana Manglam Builders	50.00%
Vista Housing	50.00%

Applicable Criteria
[Policy on default recognition]
[Consolidation]
[Financial Ratios – Non-financial Sector]
[Issuer Rating]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Credit Watch]
[Rating methodology for Real estate sector]

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.

(Rs. In crore)

Brief Financials (Rs. crore)	FY19	FY20	FY21	H1FY22
	A	A	A	UA
Total operating income	345.90	311.68	248.82	101.12
PBILDT	44.60	-1.28	9.27	-7.49
PAT	13.79	-30.20	1.70	-12.07
Overall gearing (times)	0.21	0.18	0.10	0.26
Interest coverage (times)	2.63	-ve	0.93	-ve

A-Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

Rating History (Last three years): Please refer Annexure-2

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Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE A (Is); Stable
Debentures-Non Convertible Debentures	INE365D08026	May 31, 2021	8.00%	31-05-41	97.00	CARE A; 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE A (Is); Stable	-	1)CARE A (Is); Stable (26-Mar-21) 2)CARE A (Is); Stable (03-Apr-20)	-	1)CARE A (Is); Stable (28-Mar-19) 2)CARE A (Is); Stable (02-Apr-18)
2	Debentures-Non Convertible Debentures	LT	97.00	CARE A; Stable	-	1)CARE A; Stable (26-Mar-21)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Non-Convertible Debentures		Detailed Explanation
Covenants		
i.	**Coupon Rate**	8% p.a subject to availability of distributable surplus.
ii.	**Repayment Date**	20 years from date of allotment.
iii.	**Other Terms**	a. The NCD's have a 'payable when able' kind of structure meaning thereby that NCDs will have to be served only when the project is generating cash flows. b. The Ashiana group and IFC will have investment in the ratio of 50:50 in the project c. The 'DISTRIBUTABLE SURPLUS in the project will be divided in the ratio of 50:50 between Ashiana Group and IFC.

	d. The company has to ensure IFC minimum IRR of 8% after the expiry of 5 years of the project (including the cash distributed during the first 5 years). e. In the event of IFC not receiving minimum IRR of 8%, the IFC has right to waterfall acceleration event and will have right to all the surplus cash flow till the time IFC doesn't get minimum IRR of 8% and after that Ashiana group will receive the cash flow till the time Ashiana group have an IRR of 8% f. The surplus cash will be distributed between Ashiana and IFC in the ratio of 50:50 till the time both the parties doesn't reach an IRR of 14% g. Once both the parties reach an IRR of 14%, the surplus cash will be distributed in the ratio of 70:30 between Ashiana and IFC.

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non-Convertible Debentures	Simple
2	Issuer Rating-Issuer Ratings	Simple

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.

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

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