No. CARE/DRO/RL/2020-21/4136
Shri Vikas Dugar
Chief Financial Officer
Ashiana Housing Limited
304, Southern Park,
Saket District Center, Saket,
New Delhi
Delhi 110017

March 25, 2021

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term Non-convertible Debenture (NCD) issue aggregating to Rs.97 crore of your Company. The proposed NCDs would have tenure of 20 years with repayment linked to project cash flows.

2. The following ratings have been assigned by our Rating Committee:

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Non Convertible Debentures	97.00	CARE A; Stable (Single A; Outlook: Stable)	Assigned
	Total Instruments	97.00 (Rs. Ninety-Seven Crore Only)		

3. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of six months from the date of our initial communication of rating to you (that is March 25, 2021).

4. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

5. Please inform us the below -mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

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

6. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.

7. 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 March 26, 2021, we will proceed on the basis that you have no any comments to offer.

8. 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.

9. 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 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.

10. 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.

11. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

12. CARE ratings are **not** recommendations to buy, sell or hold any securities

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13. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE

Thanking you,
Yours faithfully,

Srimann

Agnimitra Kar

Srimann Gupta
Analyst
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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.

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.

Ashiana Housing Limited

March 26, 2021

Ratings

Type of rating	Amount (Rs. crore)	Ratings[1]	Rating Action
Proposed Non Convertible Debentures	97.00	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Total Long Term Instruments	**97.00 (Rs. Ninety-Seven Crore Only)**		
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*
Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has assigned the rating of CARE A; Stable to the proposed NCD and reaffirmed the issuer rating of AHL. The rating continues to derive strength from the experience of the promoters, its vintage of operation for several decades and project execution capabilities. The rating factors in the operational performance of AHL during 9MFY21 (refers to period April 1 to December 31) which did not witness major moderation despite challenges of Covid'19 induced 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 execution risk for ongoing projects as well as planned launches and subdued demand scenario in the real estate sector.

Rating Sensitivities

Positive Factors-Factors that could lead to positive rating action/upgrade:
- Better than envisaged collections from completion of on-going projects
- Significant improvement in capital structure on sustained basis
- Sustained improvement in profitability metrics

Negative Factors-Factors that could lead to negative rating action/downgrade:
- Significantly lower than envisaged collections
- Inability to sustain envisaged average unit realization in new projects, thus adversely impacting profitability margins
- Higher than envisaged increase in debt leading to significant 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 243 lakh square feet (lsf) of residential and commercial space as on December 31, 2020.

Resilient operational performance despite restrictions due to Covid'19 outbreak

Operational performance remained resilient despite significant impact during Q1FY21. It is characterized by stable booking, increasing average unit realization, improvement in area constructed and collection during 9MFY21. Percentage area booked continued to remain stable at 59.52% of the saleable area as on December 31, 2020. The ratio stood at 63.00% as on December 31, 2019 and better than the level of December 31, 2018 of 48.50%. Average unit realization has increased to 3 year high of 3,523 per square feet in 9MFY21. Area constructed during 9MFY21 was marginally higher than 9MFY20 level. All projects where the percentage completion is less than 50%, have reasonable residual time for completion.
9MFY21 collections had been higher than 9MFY20 due to new bookings as well as stage payments from past year bookings. FY21 collections, despite Covid'19 challenges, is expected to still inch closer to 4 years high.

Comfortable financial profile despite weak market scenario

The financial risk profile of AHL is comfortable characterized by comfortable gearing and debt levels. Overall gearing improved to 0.18x as on March 31, 2021 vis a vis 0.21x as on March 31, 2019. The project costs are primarily funded out of customer advances and internal accruals with limited reliance on debt. However, AHL is expected to raise substantial debt to fund its

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

ongoing and new projects which is expected to increase the overall gearing. Based on the strong booking collectively achieved during FY20 and 9MFY21, collections are expected to increase in FY22, thereby leading to improvement in cash coverage ratio.

Liquidity - Adequate

Liquidity profile is adequate characterized by healthy collection from projects in 9MFY21 despite the covid'19 challenges vis a vis manageable repayment obligation and cash and liquid investment buffer of Rs. 182 cr as on December 31, 2020. AHL has committed receivables of approximately Rs. 375 crore, covering 66% of the balance project cost and outstanding debt as on December 31, 2020. Capex requirement is expected to increase in FY21 and FY22 due to ongoing projects, for which AHL is projected to avail debt. Current ratio on consolidated basis continued to remain strong. The company has not availed moratorium otherwise available under relief package announced by RBI.

Key Rating Weaknesses

Lower profitability and return metrics on account of high overheads

AHL had incurred operating loss as well as net losses during FY20 partially due to higher overheads expenses incurred and lower project deliveries in the past. Profitability of AHL however has shown improvement in 9MFY21. AHL posted PAT of Rs. 7.37 cr during 9MFY21.

Project execution risk on account of ongoing and planned launches

AHL is currently developing 18 projects as on December 31, 2020 with total saleable area of 33.52 lsf out of which 13.57 lsf is unsold as on same date. 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.

Subdued industry scenario

CARE continues to have negative outlook for Real Estate sector. The sector has been facing lower sales and collections on the back of subdued demand over the past few years and post outbreak of COVID-19, even construction activity has witnessed slowdown resulting into weakened cash flows. This has led to the projects getting delayed and cash flow mismatch forcing the developers to refinance the outstanding liabilities. However, post Q2FY21, the sector has witnessed some signs of recovery with improvement in overall demand and consumer sentiments on the back of festive season and various incentives offered by Central/State Government. However, sustenance of such recovery, going forward, remains to be monitorable.

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, 2020) 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%
Kairav Developers Limited	100.00%
Ashiana Greenwood Developers	50.00%
Megha Colonizers	50.00%
Ashiana Manglam Builders	50.00%
Ashiana Manglam Builders-Extension Land	50.00%
Vista Housing	50.00%

Applicable Criteria

Definition of Default
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. 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 (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	345.90	311.68
PBILDT	44.60	-1.28
PAT	13.79	-30.20
Overall gearing (times)	0.21	0.18
Interest coverage (times)	2.63	NM

A: Audited; NM: Not meaningful

Status of non-cooperation with previous CRA: NA
Any other information: NA
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	-	-	-	0.00	CARE A (Is); Stable
Debentures-Non Convertible Debentures	-	-	Proposed Issue	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE A (Is); Stable	1)CARE A (Is); Stable (03-Apr-20)	-	1)CARE A (Is); Stable (28-Mar-19) 2)CARE A (Is); Stable (02-Apr-18)	1)CARE A (Is); Stable (11-May-17)
2.	Debentures-Non Convertible Debentures	LT	97.00	CARE A; Stable	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Issuer Rating-Issuer Ratings	Simple
2.	Debentures-Non Convertible Debentures	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.

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