June 14, 2024

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	20.0	20.0	[ICRA] A (Stable); reaffirmed
Long-term/Unallocated	50.0	50.0	[ICRA] A (Stable); reaffirmed
Total	**70.0**	**70.0**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation of Ashiana Housing Limited (AHL) factors in the healthy operating performance in FY2024, which is expected to sustain in FY2025, supported by good sales velocity, continued end-user demand and a strong launch pipeline. AHL's sales and collections are expected to improve in FY2025 while maintaining comfortable leverage. The bookings of AHL remained at around 80% of the total ongoing projects of 6.3 million square feet (msf), with healthy cashflow adequacy ratio (Committed receivables/pending cost + Debt o/s) of 123.6% as of March 2024. AHL's sales witnessed an increase by 36.9% in FY2024 (PY: Rs 1313.4 crore) and likely to improve by 9-10% in FY2025. Also, AHL's collections increased by 67% to Rs. 1062.5 crore in FY2024 (PY: Rs 635 crore) and is expected to further grow by about 8-10% in FY2025 supported by continued healthy sales and construction progress for the ongoing projects, a strong launch pipeline of upcoming projects (launch pipeline is estimated at 2.5 to 3 msf in FY2025) and expected good response on new launches. The company's total debt levels remain low at Rs. 148.1 crore as of March 2024 (PY: 182.6 crore) and the leverage Total Debt/ Cashflow from operations (CFO), improved to 0.3 times as of March 2024 (PY: 1.2 times) and is expected to remain comfortable in the medium term. AHL's liquidity is strong as reflected by healthy unencumbered cash and bank balances of Rs. 242.5 crore as of March 2024. The ratings also draw comfort from the company's long and established track record in residential real estate development, with demonstrated project execution capabilities and strong brand image in its key markets.

The rating is, however, constrained by the exposure to execution and market risks associated with its unsold area the company's ongoing and upcoming projects in various geographies such as Bhiwadi, Jaipur, Jodhpur and Pune. AHL has pending saleable area of ~1.2 msf in its ongoing projects as of March 2024 and future project pipeline of around 6.5-7.0 msf of area over the medium term. Timely launch of upcoming projects, along with healthy sales and collection momentum, would be critical for improving the CFO. Moreover, as of March 2024, the company is yet to incur around 54% of the total cost in its ongoing projects. The ratings further remain constrained by the AHL's relatively moderate scale of operations and profitability margins. Though there is an improvement in the operating profitability to 9.7% in FY2024 (PY: 5.8%), the profitability continues to remain moderate due to company's presence in the affordable category segment along with some low margin legacy projects. Moreover, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand.

The stable outlook on long-term rating reflects ICRA's expectation that the company will continue to maintain healthy sales and collections supported by good sales velocity and strong launch pipeline, along with sustenance of comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Improvement in operational performance in FY2024, expected to continue in FY2025; comfortable leverage – AHL's sales witnessed an increase by 36.9% in FY2024 (PY: Rs 1313.4 crore) and likely to improve by 9-10% in FY2025. Also, AHL's collections increased by 67% to Rs. 1062.5 crore in FY2024 (PY: Rs 635 crore) and is expected to further grow by about 8-10%

in FY2025 supported by continued healthy sales and construction progress for the ongoing projects, a strong launch pipeline of upcoming projects (launch pipeline is estimated at 2.5 to 3 msf in FY2025) and expected good response on new launches. The company's total debt levels remain low at Rs. 148.1 crore as of March 2024 (PY: 182.6 crore) and the leverage Total Debt/CFO, improved to 0.3 times as of March 2024 (PY: 1.2 times) and is expected to remain comfortable in the medium term.

Healthy cashflow adequacy ratio – The bookings of AHL remained healthy at around 80% of the total area for the ongoing projects of 6.3 million square feet (msf), leading to committed receivables of Rs 1823 crore as against pending cost of Rs 1327 crore and debt of Rs 148 crore leading to healthy cashflow adequacy ratio (Committed receivables/pending cost + Debt o/s) of 123.6% as of March 2024.

Established position and brand name – AHL has a track record of more than 40 years in the real estate market. At present, it is developing 6.3 million sq. ft. of projects of which around 80% has been sold as on March 31, 2024. The company has strong in-house project execution capability and a robust sales track record, as demonstrated through 28 msf of completed area till date. Moreover, AHL has strong brand presence in regions like Jaipur, Pune, Chennai, and Gurugram. It has also established its presence in the senior living segment.

Credit challenges

Relatively moderate scale of operations and low profitability margins – AHL's scale of operations and profitability remains moderate relative to other players in the same rating category. The company reported an improvement in the operating profitability to 9.7% in FY2024 (PY: 5.8%), the profitability continues to remain moderate due to company's presence in the senior living segment along with completed inventory in some of the low margin legacy projects.

Execution and market risks due to planned launches in medium term –The company remains exposed to execution and market risks associated with its unsold area the company's ongoing and upcoming projects in various geographies such as Bhiwadi, Jaipur, Jodhpur and Pune. AHL has pending saleable area of ~1.2 msf in its ongoing projects as of March 2024 and future project pipeline of around 6.5-7.0 msf of area over the medium term. Timely launch of upcoming projects, along with healthy sales and collection momentum, would be critical for improving the CFO. Moreover, as of March 2024, the company is yet to incur around 54% of the total cost in its ongoing projects.

Exposure to risks and cyclicality in India's real estate sector –Being a cyclical industry, the real estate sector is highly dependent on macroeconomic factors, which in turn render the company's sales vulnerable to any downturns in demand and competition within the region from various established developers.

Liquidity position: Strong

The company's liquidity profile is strong, supported by healthy unencumbered cash balances and CFO. The unencumbered cash and cash equivalents stood at ~Rs. 242.5 crore as on March 31, 2024. The company has debt repayment obligations of around Rs 50 crore in FY2025 which is expected to be comfortably met through its CFO. The cash flow adequacy ratio was healthy, at around 123% as on March 31, 2024.

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.

Environmental and social risks

The real estate segment is exposed to risks from increasing environmental norms, which impact operating costs, including higher costs of raw materials such as building materials and compliance expenses related to pollution control regulations. Environmental clearances are required for project commencements and lack of timely approvals can affect its business operations. The impact of changing environmental regulations on licences obtained for property development could also create credit risks.

In terms of social risks, the post-pandemic environment has been favourable to real estate developers, as demand for quality homes with good social infrastructure has increased. Further, rapid urbanisation and a high proportion of the workforce population (aged 25-44 years) will support demand for real estate in India, thereby benefitting AHL. This is further supported by the healthy sales trend reported over the recent quarters.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Commercial/Residential/Retail
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered AHL's financials as enlisted in Annexure-2, as all these entities are involved in real estate operations and has close business, financial and managerial linkages.

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 its inception and has developed around 28 msf of area till date. At present, the company is developing several projects, mainly residential housing projects, including senior living accounting to around 6.7 msf of area.

Key financial indicators (audited)

AHL Consolodated	FY2023	FY2024
Operating income	402.9	938.2
PAT	20.1	77.8
OPBDIT/OI	5.8%	9.7%
PAT/OI	5.0%	8.3%
Total outside liabilities/Tangible net worth (times)	1.9	2.1
Total debt/OPBDIT (times)	7.8	1.6
Interest coverage (times)	7.7	44.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, interest coverage ratio is calculated on OPBIDT; Source: Company annual reports, ICRA Research.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)* as on March 31, 2024	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					June 14, 2024	June 16, 2023	June 24, 2022	June 25, 2021
1	**Non-Convertible Debentures**	Long term	20.00	0.25	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA] A (Stable)
2	**Non-Convertible Debentures**	Long term	-	-	-	[ICRA] A (Stable); Reaffirmed and withdrawn	[ICRA] A (Stable)	[ICRA] A (Stable)
3	**Unallocated**	Long term	50.00	-	[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	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: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE365D08018	**NCD1**	Sep 28, 2018	8%	**Sep 28, 2038**	20.0	[ICRA] A (Stable)
NA	**Unallocated**	-	-	-	50.0	[ICRA] A (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not applicable

Company Name	AHL Ownership	Consolidation Approach
Ashiana Housing Limited	100% (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 Greenwood Developers	50%	Full Consolidation
Megha Colonizers	50%	Full Consolidation
Ashiana Manglam Builders	50%	Full Consolidation
Vista Housing	50%	Full Consolidation

Source: Company; ICRA Research

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About ICRA Limited:

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