

Developer Grading Rationale
May 31, 2019 Kochi
Asset Homes Private Limited

Developer grading	DA2+ (upgraded from 'DA2')
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Valid till: May 30, 2020

Detailed rationale

CRISIL has upgraded its real estate developer grading on Asset Homes Private Limited (Asset Homes) to 'DA2+' from 'DA2'. The grading indicates that the developer's ability to execute real estate projects as per the specified quality level and within the stipulated time schedule, and to transfer a clean title, is 'Very Good.'

The upgrade primarily factors in strong experience of the promoter, the company's strong marketing and development strategies, standardised work flow processes and systems, and good second-line management team and advisory board. These strengths are partially offset by the company's aggressive developmental plans, limited track record in commercial and retail development, average financial risk profile, dependence on customer advances for funding needs, and revenue concentration in the Kerala real estate market.

The promoter, Mr Sunil Kumar, has experience of over two decades in construction and real estate development. Asset Homes has good brand equity and reputation in the Kerala residential market. It has adopted sound strategies for joint land development to reduce costs and risks, and manages most of the civil construction work of projects in-house.

The departmental heads are responsible for managing daily operations. Asset Homes' development track record is good, at 39.00 lakh square feet (sq ft) over 13 years since inception. The company has ongoing projects of 23.33 lakh sq ft and plans to launch medium-to-large residential projects of more than 22.41 lakh sq ft in the next 6-8 months. Aggressive ramp-up in project size will require robust scaling-up of systems and processes and strong checks and measures on construction activities to meet the possession timelines promised to customers. Hence, regular monitoring of progress is very crucial over the medium term.

The financial risk profile is average marked by low networth (Rs 36 crore) and average gearing (0.6 time) as of March 2018, and modest cash accrual of Rs 1 crore in fiscal 2018.

About the developer

Incorporated in 2006 and promoted by Mr Sunil Kumar, Asset Homes undertakes real estate development in Kerala and is among the fast growing and reputed developers in the state. The company has adopted several initiatives to enhance customer awareness and boost sales, including introduction of apartment insurance as part of the 17 delight services it offers 17 delight services to its customers. In October 2014, it tied up with New India Assurance Company Ltd to provide insurance coverage for 25 years for all ongoing residential projects. The company offers transit homes, for existing customers, wherein it has 6 fully furnished units in 5 cities of Kerala offered to customers at zero rent. The company's advisory board comprises seven experts, who advise the board of directors on technical, financial, marketing, and human resources matters. The company has a presence in almost all the major cities of Kerala such as Kochi, Thrissur, Thiruvananthapuram, Kottayam, Kollam, Kozhikkode, Kannur and Pathanamthitta..

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