

Tata Value Homes Limited

September 28, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	370.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn
Total Bank Facilities	370.00 (₹ Three Hundred Seventy Crore Only)		
Non-Convertible Debentures	195.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Long-Term Instruments	195.00 (₹ One Hundred Ninety-Five Crore Only)		
Commercial Paper	200.00	CARE A1+ (A One Plus)	Reaffirmed
Total Short-Term Instruments	200.00 (₹ Two Hundred Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings has withdrawn the rating assigned to the Term Loan of Tata Value Homes Limited (TVHL) with immediate effect, as the company has repaid the aforementioned term loan and there is no amount outstanding under the term loan as on date. The reaffirmation of the ratings to the bank facilities/instruments of TVHL continues to derive strength from its strong promoter, i.e., Tata Housing Development Company Limited [THDCL: rated 'CARE AA; Stable/CARE A1+', subsidiary of Tata Sons Private Limited (TSPL)] and its strategic importance to THDCL by virtue of having established track record in developing and managing the Tata Group's affordable housing real estate businesses. The same is reflected through maintenance of ownership, sharing of Tata brand name, continued strong promoter support towards implementation of plans/policies and financial support demonstrated through regular fund infusion by the parent/group in the past. This also reflects THDCL's commitment towards supporting the overall business plans carried out by TVHL. Furthermore, the ratings derive strength from the company's experienced management and wide geographical presence.

The ratings, however, continue to be tempered by project execution risk for under-construction projects, low committed receivables to finance balance cost and outstanding debt, and moderate capital structure.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in leverage levels to below 1.0 times.
- Substantial reduction in the inventory levels remaining below two years of anticipated sales.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the credit risk profile of the parent.
- Decrease in direct/indirect shareholding below 51% of TSPL in THDCL resulting into weakening of linkages between THDCL and TSPL.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers

Key rating strengths

Strong Parentage and Tata Group Support

TVHL is a wholly owned subsidiary of THDCL. THDCL is held by TSPL with direct holding of ~57% and ~43% through its wholly owned subsidiary Tata Realty & Infrastructure Limited (TRIL: rated 'CARE A1+') as on September 22, 2022. Strong parentage and demonstrated support are key credit positives. Furthermore, the strong brand image of 'Tata' further provides credibility to TVHL as a developer which assumes very high significance in the real estate industry and gives a strong edge over the competition. In CARE Ratings' opinion, TVHL's credit ratings continue to reflect established track record in managing affordable housing segment and is aided by the management and financial support received from THDCL owing to its strategic importance to the group's overall real estate business plans.

Experienced Management

All the companies, which are housed under THDCL including TVHL, are operating in the same line of business, i.e., real estate and are completely controlled and managed by THDCL. THDCL management is headed by its Managing Director and Chief Executive Officer, Mr Sanjay Dutt, who has over 25 years of experience in the real estate sector. He is adequately supported by the CFO and other experienced board members.

Wide geographical presence

The company was established by THDCL in the view of the increasing demand for affordable housing and to focus on the value and affordable housing business of the group. As on March 31, 2022, TVHL has eleven ongoing/completed projects with a total saleable area of around 125 lakh square feet (Isf) at various stages of development across various locations in the country, viz., Mumbai, Chennai, Pune, Noida, Ahmedabad, Bahadurgarh, and Bengaluru.

Key rating weaknesses

Moderate capital structure

The overall gearing of the company remained moderate at 2.52x as on March 31, 2022 as compared to 1.91x as on March 31, 2021. The same was on account of decline in the net worth due to the loss registered by the company. Nevertheless, with low net worth and high debt levels, fund infusion from the promoters and refinancing of the debt remains critical for the company and hence will remain key rating monitorable going forward.

Project execution risks with high dependence on customer advances for project funding

Majority of the on-going projects are under implementation which is likely to entail greater execution risk.; The company attempts to mitigate the same by adopting new construction technologies, building requisite resource bandwidth and implementing structural and procedural changes in the organization to grow seamlessly. The project execution is largely dependent on the timely receipt of customer advances and with low committed receivables to fund the balance cost and outstanding debt, any delay in receipt of the same or sluggish sales amidst the uncertain economic environment may lead to slower project execution.

Inherent risk associated with cyclical nature of real estate industry

The company is exposed to the cyclicity associated with the 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 the property markets. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

Liquidity: Strong

As on March 31, 2022, TVHL's cash and bank balance aggregated to Rs.6.34 crore. Additionally, as on July 31, 2022, the company had unutilized sanctioned working capital limits amounting to ~Rs.340 crore. As against the current liquidity and undrawn limits, the company has long term debt repayments obligation of Rs.195 crore for the rest of FY23. Furthermore, being part of the Tata group, TVHL enjoys significant level of financial flexibility. The expected continuous support from the parent would remain crucial for TVHL. As on March 31, 2022, THDCL's consolidated cash and bank balance of around Rs.220 crore. Additionally, as on March 31, 2022, the company on consolidated level had unutilized sanctioned working capital limits amounting to ~Rs.1,423 crore.

Analytical approach: Standalone, however, combined cash flows of all the ongoing real estate projects housed under Tata Housing Development Company Limited (including TVHL) are considered in the analysis.

CARE has factored linkages in the form of continued as well as expected operational, managerial and financial support from parent company i.e. THDCL. THDCL holds 100% shareholding in TVHL. Also, the THDCL and its subsidiaries/SPVs have common treasury function which supports the funding requirement of the entities.

Applicable criteria

[Policy on default recognition](#)

[Rating Methodology: Real Estate Sector](#)

[Notching by factoring linkages in ratings](#)

[Financial Ratios: Non-financial sector](#)

[Criteria on assigning 'outlook' or 'credit watch' to credit ratings](#)

[Criteria for short-term instruments](#)

[Liquidity analysis of non-financial sector entities](#)

About the company

Incorporated in 2009, TVHL, formerly known as Smart Value Homes Ltd., is a wholly owned subsidiary of THDCL. TVHL is focused on real estate development of integrated townships in the value and affordable housing segment across 7 cities of India.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	71.32	72.43	Not Available
PBILDT	-89.32	-24.46	
PAT	-142.06	-84.84	
Overall gearing (times)	1.91	2.52	
Interest coverage (times)	NM	NM	

A: Audited; NM: Not Meaningful

Note: Financials has been classified as CARE's internal standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	370.00	CARE AA; Stable
Fund-based - LT-Term Loan	-	-	-	-	-	Withdrawn
Debentures-Non-Convertible Debentures	INE069P08051	23-09-2019	9.35%	23-09-2022	195.00	CARE AA; Stable
Commercial Paper-(Standalone)	INE069P14257	24-03-2022	5.96%	24-03-2023	100.00	CARE A1+
Commercial Paper-(Standalone)	-	-	-	Not yet placed	100.00	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	370.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20)	1)CARE AA; Stable (25-Sep-19)
2	Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)	1)CARE A1+ (25-Sep-19)
3	Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)	1)CARE A1+ (25-Sep-19)
4	Debentures-Non-Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (25-Dec-19) 2)CARE AA; Stable (25-Sep-19)
5	Debentures-Non-Convertible Debentures	LT	-	-	-	1)Withdrawn (29-Sep-21)	1)CARE AA; Stable (30-Sep-20)	1)CARE AA; Stable (25-Sep-19)
6	Debentures-Non-Convertible Debentures	LT	195.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20)	1)CARE AA; Stable (25-Sep-19)
7	Debentures-Non-Convertible Debentures	LT	-	-	-	-	1)Withdrawn (30-Sep-20)	-
8	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20)	-

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

Name of the Instrument	Detailed Explanation
A. Non-financial covenants	
Change in ownership	THDCL shall continue to retain controlling stake in the company

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

Sr. No.	Name of Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-Convertible Debentures	Simple
3	Fund-based - LT-Cash Credit	Simple
4	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media contact**

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Monika Goenka
Phone: +91-8879300881
E-mail: monika.goenka@careedge.in

Relationship contact

Name: Saikat Roy
Phone: +91-98209 98779
E-mail: saiikat.roy@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in