

Tata Housing Development Company Limited

September 28, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term / Short Term Bank Facilities	1,300.00 (Enhanced from 1,150.00)	CARE AA; Stable / CARE A1+ (Double A; Outlook: Stable/ A One Plus)	Reaffirmed
Total Bank Facilities	1,300.00 (₹ One Thousand Three Hundred Crore Only)		
Non-Convertible Debentures	500.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	500.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	200.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	300.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Long-Term Instruments	1,500.00 (₹ One Thousand Five Hundred Crore Only)		
Commercial Paper	200.00	CARE A1+ (A One Plus)	Reaffirmed
Commercial Paper	500.00	CARE A1+ (A One Plus)	Reaffirmed
Commercial Paper	500.00	CARE A1+ (A One Plus)	Reaffirmed
Total Short-Term Instruments	1,200.00 (₹ One Thousand Two Hundred Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of ratings to the bank facilities/instruments of Tata Housing Development Company Limited (THDCL) continues to derive strength from its strong promoter i.e. Tata Sons Private Limited (TSPL) and its strategic importance to the group by virtue of being the flagship holding company having established track record in developing and managing the Tata Group's residential real estate business. The same is reflected through maintenance of ownership, sharing of Tata brand name, nominees of TSPL on THDCL's Board of Directors, continued strong promoter support towards implementation of plans/policies and financial support demonstrated through regular fund infusion by the parent. This also reflects TSPL's commitment towards supporting the Tata Group's overall business plans in the residential real estate segment carried out by THDCL.

Furthermore, ratings derive strength from the company's experienced management, THDCL's ability to establish alliance with local players having land parcels for joint development of various projects, wide geographical presence and diversified product portfolio catering to different income groups.

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

Rating sensitivities

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

- Improvement in leverage to below 1.0 times on a consolidated basis.
- Substantial reduction in the inventory levels to below two years.

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

- Deterioration in gearing beyond envisaged levels on a sustained basis
- Deterioration in the credit risk profile of the parent

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

- Decrease in direct/indirect shareholding below 51% of TSPL in THDCL resulting into weakening of linkages between THDCL and its parent TSPL.

Detailed description of the key rating drivers

Strong Parentage and Tata Group Support

THDCL is held by TSPL with direct holding of around 57% and 43% through its wholly-owned subsidiary Tata Realty & Infrastructure Limited (TRIL: rated CARE A1+) as on September 22, 2022. The company has strong linkages with its promoters as reflected through maintaining of ownership, sharing of Tata brand name, nominees of TSPL and TRIL on THDCL's Board of Directors, continued promoter support towards implementation of plans/policies approved by the board. Moreover, to support the business, TSPL has infused equity of over Rs.2,900 crore in THDCL between FY13 (refers to the period April 1 to March 31) - FY20 and TRIL has infused Rs.1500 crore between FY21- Q2FY23.

The strong brand image of 'Tata' further provides credibility to THDCL as a developer which assumes very high significance in the real estate industry and gives a strong edge over the competition. Furthermore, owing to THDCL's strategic importance to Tata Group, the demonstrated parental support in the past in the form of strategic, managerial and funding support, is expected to continue.

Experienced Management

THDCL benefits from its experienced senior management, 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 and diversified project portfolio

As on March 31, 2022, THDCL has 27 ongoing/completed projects with a total saleable area of around 295 lakh square feet (lsh) at various stages of development across various locations in the country. Top five cities viz. Gurgaon, Mumbai, Bengaluru, Noida, and Kolkata together contribute around 74% of the company's total supply of residential units.

THDCL has balanced product mix vis-à-vis the mid segment/affordable housing (~38%), premium and luxury housing (~41%) and mix category (~21%).

Key Rating Weaknesses

Leveraged capital structure

On a consolidated basis, the overall gearing of the company though improved remained leveraged at 3.51x as on March 31, 2022 as compared to 5.47x as on March 31, 2021. The improvement is attributable to infusion of equity amounting to Rs.500 crore from the promoters during FY22 along with reduction of total debt.

Nevertheless, funding support from the promoters and refinancing of debt remains critical for the company.

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

Majority of the 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. In view of the slowdown in the real estate sector, the company did not launch any new project in FY20 and FY21 and was focusing more on completing the projects. However, the company is expecting to launch few projects in FY23 and FY24.

Furthermore, 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 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, 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. As against the current liquidity and undrawn limits, the company has long term debt repayments obligation of ~Rs.800 crore for the rest of FY23. Furthermore, being part of the Tata group, THDCL enjoys significant level of financial flexibility. The expected continuous support from the parent would remain crucial for THDCL.

Analytical approach: Consolidated

For arriving at the ratings of Tata Housing Development Company Limited (THDCL), CARE has taken a consolidated approach of all the companies under THDCL operating in the real estate business. These include Tata Housing Development Company Limited (THDCL), Tata Value Homes Limited (TVHL) and their Special Purpose Vehicles. This is on account of the fact that all these companies operate in the real estate industry, have significant operational and financial linkages in terms of having common treasury and finance teams, engineering and design functions along with the sales and marketing and are controlled by a common management. The list of entities whose financials have been consolidated is given in **Annexure 3**.

Furthermore, for arriving at the ratings of THDCL, CARE Ratings has applied parent notch-up in accordance with the rating methodology for factoring in the linkages in the form of management and financial support expected from parent.

Applicable Criteria

[Policy on default recognition](#)

[Rating Methodology: Real Estate Sector](#)

[Rating Methodology: Consolidation](#)

[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

Tata Housing Development Company Limited is held by Tata Sons Private Limited with direct holding of ~57% and ~43% through Tata Realty and Infrastructure Limited as on September 22, 2022. The company is in the business of real estate development with the major projects undertaken on joint development basis. THDCL and its subsidiaries currently have 27 projects across various stages of development.

Consolidated Brief Financials (Rs. Crore)	FY21 (A)	FY22 (A)	Q1FY23
Total operating income	852.68	714.81	Not Available
PBILDT	-96.49	-249.07	
PAT	-512.17	-255.38	
Overall gearing (times)	5.47	3.51	
Interest coverage (times)	NM	NM	

A: Audited; NM: Not Meaningful

Note: Financials are classified as per the 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/non-fund-based-LT/ST	-	-	-	-	1300.00	CARE AA; Stable / CARE A1+
Debentures-Non-Convertible Debentures	INE582L07161	07-02-2022	8.60%	06-02-2023	500.00	CARE AA; Stable
Debentures-Non-Convertible Debentures	INE582L07187	21-05-2020	9.10%	19-05-2023	500.00	CARE AA; Stable

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
Debentures-Non-Convertible Debentures	INE582L07179	19-05-2020	9.10%	19-05-2023	200.00	CARE AA; Stable
Debentures-Non-Convertible Debentures	-	-	-	Not yet placed	300.00	CARE AA; Stable
Commercial Paper-(Standalone)	INE582L14GE8	29-09-2021	4.71%	28-09-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GF5	02-12-2021	5.41%	02-12-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GH1	15-12-2021	5.00%	23-09-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GH1	17-12-2021	5.00%	23-09-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GH1	27-06-2022	6.00%	23-09-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GG3	17-12-2021	5.27%	16-12-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GJ7	22-12-2021	5.27%	22-12-2022	100.00	CARE A1+
Commercial Paper-(Standalone)	INE582L14GN9	14-09-2022	6.30%	14-11-2022	175.00	CARE A1+
Commercial Paper-(Standalone)	-	-	-	Not yet placed	325.00	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/Non-fund-based-LT/ST	LT/ST	1300.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (29-Sep-21)	1)CARE AA; Stable / CARE A1+ (30-Sep-20)	1)CARE AA; Stable / CARE A1+ (25-Sep-19)
2	Commercial Paper-Commercial Paper (Standalone)	ST	200.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)	1)CARE A1+ (21-Feb-20) 2)CARE A1+ (25-Sep-19)
3	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)	1)CARE A1+ (21-Feb-20) 2)CARE

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
								A1+ (25-Sep-19)
4	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)	1)CARE A1+ (21-Feb-20) 2)CARE A1+ (25-Sep-19)
5	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (07-Jun-22)	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20) 2)CARE AA; Stable (16-Jun-20)	1)CARE AA; Stable (05-Feb-20)
6	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (07-Jun-22)	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20) 2)CARE AA; Stable (16-Jun-20)	-
7	Debentures-Non Convertible Debentures	LT	500.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20) 2)CARE AA; Stable (16-Jun-20)	-
8	Debentures-Non Convertible Debentures	LT	500.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20) 2)CARE AA; Stable (16-Jun-20)	-
9	Debentures-Non Convertible Debentures	LT	200.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20) 2)CARE AA; Stable (16-Jun-20)	-
10	Debentures-Non Convertible Debentures	LT	300.00	CARE AA; Stable	-	1)CARE AA; Stable (29-Sep-21)	1)Provisional CARE AA; Stable (30-Sep-20)	-

Annexure-3: Name of the companies consolidated in THDCL as on March 31, 2022

Sr. No.	Subsidiaries
1	Tata Value Homes Limited
2	Concept Developers & Leasing Limited

Sr. No.	Subsidiaries
3	Kriday Realty Private Limited
4	Promont Hillside Private Limited
5	THDC Management Services Limited
6	Smart Value Homes (Boisar) Private Limited
7	HLT Residency Private Limited
8	North Bombay Real Estate Private Limited
9	Synergizers Sustainable Foundation
10	Technopolis Knowledge Park Limited
11	Apex Realty Private Limited
12	Princeton Infrastructure Private Limited
13	World-One Development Company Pte. Limited
14	World-One (Srilanka) Projects Pte. Limited
15	One Colombo Project (Private) Limited
16	Smart Value Homes (Peenya Project) Private Limited
17	Smart Value Homes (New Project) LLP
18	Promont Hilltop Private Limited
Sr. No.	Joint Ventures
1	Arvind and Smart Value Homes LLP
2	Sohna City LLP
3	One Bangalore Luxury Projects LLP
4	HL Promoters Private Limited
5	Kolkata-One Excelton Private Limited
6	Sector 113 Gatevida Developers Private Limited
7	Land Kart Builders Private Limited
8	Ardent Properties Private Limited*

*Became 100% subsidiary of THDCL with effect from June 17, 2022

Annexure-4: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed explanation
A. Non-financial covenants	
Promoter ship	(a) Parent shall, at all times until the Final Settlement Date, directly or indirectly, hold a minimum of 51% (Fifty One Percent) shareholding in the Issuer. (b) Parent shall, at all times until the Final Settlement Date maintain the Management Control of the Issuer. (c) The Issuer shall not remove 'Tata' from its name at any time until the Final Settlement Date.

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/non-fund-based-LT/ST	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.

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About us:

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