

## Promont Hillside Private Limited

September 29, 2022

### Rating

Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Non-Convertible Debentures	300.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
<b>Total Long-Term Instruments</b>	<b>300.00</b> <b>(₹ Three Hundred Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The reaffirmation of the rating assigned to the debt instrument of Promont Hillside Private Limited (PHPL) derives strength from its strong promoter, i.e., Tata Housing Development Company Limited [THDCL: rated 'CARE AA; Stable/CARE A1+'] which is reflected through the maintenance of ownership and continued financial support demonstrated through the regular fund infusion in the past. This also reflects THDCL's commitment towards supporting the overall business plans of PHPL. Furthermore, the rating also derives strength from the experienced management of the company.

The rating is, however, tempered by uncertainty with respect to the commencement of the project and susceptibility to the inherent industry risk associated with the real estate sector.

### Rating Sensitivities:

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

- Improvement in the credit profile of the holding company, i.e., THDCL.

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

- Deterioration in the credit risk profile of THDCL.
- Reduction in direct/indirect shareholding below 51% of Tata Sons Private Limited (TSPL) in THDCL resulting into weakening of linkages between THDCL and TSPL.

### Detailed description of the key rating drivers

#### Key rating strengths

#### **Strong parentage and Tata Group Support**

PHPL is a 100% subsidiary of THDCL which in turn is a subsidiary of TSPL. TSPL is the principal holding company of the TATA group. By virtue of being the holding company of the Tata group, the financial flexibility stems from the company's ability to raise funds or by sale of its investments, mainly shares in Tata group companies. Strong parentage and demonstrated support are key credit positives.

In CARE Ratings Ltd's opinion, PHPL's credit ratings continue to reflect the management and financial support received from THDCL.

#### **Experienced management**

All the companies, which are housed under THDCL including PHPL, are operating in the same line of business, i.e., real estate and are completely controlled and managed by THDCL. THDCL's 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.

#### Key rating weaknesses

#### **Uncertainty with respect to the commencement of the project**

The company was set-up with an objective to develop a real estate residential project at Hailey Road, New Delhi. The management is deliberating its future plans pertaining to the land / project. Hence, the continuous support from the parent would remain crucial for PHPL and any change in the stance by THDCL to support PHPL's operations as well as to provide need-based funds to the meet the debt repayment obligation of PHPL and change in the credit profile of THDCL will be the key rating monitorable.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Inherent cyclical nature of the 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

PHPL had cash and bank balance of Rs.0.02 crore as on March 31, 2022. Furthermore, the company do not have any repayment obligations for the rest of FY23 and FY24. The non-convertible debentures' repayment is due in March 2025. The debt repayment obligation is expected to be met through proceeds from the sale of land/project or support from THDCL. Further, being part of Tata group, PHPL enjoys significant financial flexibility. As on March 31, 2022, THDCL's consolidated cash and bank balance was around Rs.220 crore. Additionally, as on March 31, 2022, the consolidated unutilized sanctioned working capital limits was ~Rs.1423 crore.

**Analytical approach: Standalone**, however, combined cash flow of all the projects housed under Tata Housing Development Company Limited is considered.

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 PHPL. 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](#)

### About the company

PHPL was originally incorporated on March 10, 2012, and later on August 23, 2012, the company's name was changed to One-North Projects Private Limited for a brief period and then again reinstated to the current name on September 8, 2012. It is a wholly-owned subsidiary of THDCL, formed with the purpose of development of a real estate project at Hailey Road, Delhi.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	0.00	0.00	Not Available
PBILDT	-0.40	-0.37	
PAT	-49.22	-51.03	
Overall gearing (times)	NM	NM	
Interest coverage (times)	NM	NM	

A: Audited; NM: Not Meaningful

Note: Financials are classified as per 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
Debentures-Non-Convertible Debentures	INE931Q08043	31-03-2022	7.10% p.a.	31-03-2025	300.00	CARE AA; Stable

**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	Debentures-Non-Convertible Debentures	LT	-	-	-	-	1)Withdrawn (28-Aug-20)	1)CARE AA (CE); Stable (27-Sep-19)
2	Debentures-Non-Convertible Debentures	LT	300.00	CARE AA; Stable	-	1)CARE AA; Stable (22-Mar-22)	-	-

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

Name of the Instrument	Detailed Explanation
<b>A. Non-financial covenants</b>	
Ownership	<ol style="list-style-type: none"> <li>Tata Group to hold a minimum of 51% (Fifty-One Percent) effective shareholding and have management control of the Parent</li> <li>THDCL to maintain minimum direct 51% equity shareholding, and management control of the Issuer</li> <li>THDCL shall not remove 'Tata' from its name at any time.</li> </ol>

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

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	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](mailto:care@careedge.in) for any clarifications.

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