No. CARE/HO/RL/2020-21/2657

Shri Sanjay Sharma
Chief Financial Officer
Tata Value Homes Limited
E-Block, Voltas Compound,
T. B. Kadam Marg, Chinchpokli,
Mumbai-400033, Maharashtra

September 24, 2020

Confidential

Dear Sir,

Credit rating for Non-Convertible Debenture issue

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited), our Rating Committee has reviewed the following ratings:

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debentures	100.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-Convertible Debentures	200.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Instruments	300.00 (Rs. Three Hundred Crore Only)		

2. The NCD amounting to Rs. 100 crore issued on April 27, 2018 having coupon rate of 8.40% is repayable by April 26, 2021.

3. The NCD amounting to Rs. 195 crore issued on September 23, 2019 having coupon rate of 9.35% is repayable by September 23, 2022.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

4. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors

5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by September 28, 2020, we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by “ISSUER NOT COOPERATING”. CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

8. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

10. CARE ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Shruti Doshi
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Associate Director
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Encl.: As above

Disclaimer

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

Annexure

Press Release

Tata Value Homes Limited (TVHL)

Ratings

Facilities/instruments	Amount (Rs. crore)	Rating[2]	Rating Action
Long-term Bank Facilities- Fund based	370.00 (enhanced from 350.00) **(Rs. Three hundred and Seventy crore only**	**CARE AA; Stable (Double A; Outlook: Stable)**	**Reaffirmed**
Long-term Bank Facilities- Term Loan	21.00 **(Rs. Twenty one crore only)**	**CARE AA; Stable (Double A; Outlook: Stable)**	**Assigned**
Non-Convertible Debenture issue (outstanding)	300.00 **(Rs. Three hundred crore only)**	**CARE AA; Stable (Double A; Outlook: Stable)**	**Reaffirmed**
Non-Convertible Debenture issue	-	**-**	**Withdrawn**
Commercial Paper Issue	200.00 **(Rs. Two hundred crore only**	**CARE A1+ (A One Plus)**	**Reaffirmed**

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has withdrawn the rating assigned to the NCD issue of Tata Value Homes Ltd. with immediate effect, as the company has repaid the aforementioned NCD issue and there is no amount outstanding under the issue as on date.

For arriving at the ratings of Tata Value Homes Limited (TVHL), CARE has taken a consolidated approach of all the companies under Tata Housing Development Company Limited (THDCL, rated CARE AA; Stable/CARE A1+). These include THDCL, TVHL and their SPVs. This is on account of all these companies operate in the real estate industry, have significant operational and financial linkages and are also controlled by a common management. Further, for arriving at the ratings of THDCL, CARE 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, Tata Sons Private Limited (TSPL).

The reaffirmation in the ratings assigned to the bank facilities/Instruments of TVHL continue to factor in the strong parentage of THDCL (99.96% owned by TSPL) which is strategically importance to TSPL by virtue of being the flagship holding company having established track record in developing and managing the Tata Group's residential real estate businesses. The same is reflected through maintenance of ownership, sharing of Tata brand name, two nominees of TSL on THDCL's BoD (Board of Directors), continued strong promoter support towards implementation of plans/policies and financial support demonstrated through regular equity infusion by the parent in the past. This also reflects TSPL's commitment towards supporting the Tata Group's overall business plans in the residential real estate segment carried out by its subsidiary, THDCL.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Furthermore, ratings drive strength from the company's experienced management, THDCL's ability to forge 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 company has not applied for loan moratorium as per RBI guidelines on COVID-19 and continues to serve its debt obligations as per schedule.

The ratings are, however continue to be tempered by project execution risk for under construction projects, moderate inventory levels leading to higher reliance on debt thereby resulting into leveraged capital structure. The company's operations also expected to remain susceptible to the slowdown as a result of the covid pandemic and inherent industry risk associated with real estate sector.

Moreover, owing to sluggishness in real estate market coupled with impact of nationwide lockdown on account of COVID-19 outbreak, the business operations of the company got impacted in the past few months. As a result, the company has experienced diminished sales and collection activities as compared to previous year owing to slow pace in construction. . CARE notes that with the impact of pandemic expected to continue into Q2 & Q3 FY2021, recovery in sales and collection is expected to take some more time. Thus, with sales expected to remain weak and large number of on-going projects as well as considering the debt repayments due over the next couple of years, THDCL is expected to remain dependent on refinancing or equity infusion from the parent. However, the same is managed successfully by the company in the past. Further, demonstrated parental support in the form of strategic, managerial and funding support as in the past is expected to continue.

Going forward, THDCL's ability to deliver the projects as scheduled within envisaged cost, achieve the envisaged collections leading to improvement in capital structure in light of challenging economic backdrop owing to covid-19 and timely receipt of need based support from the parent are the key rating sensitivities.

Rating Sensitivities:

Positive triggers:

- Improvement in leverage levels at consolidated levels below 0.5 times.
- Substantial reduction in the inventory levels remaining below two years of anticipated sales.

Negative triggers

- Deterioration in gearing levels beyond the envisaged levels.
- Deterioration in the credit risk profile of the parent or decrease in shareholding resulting into weakening of linkages between THDCL and its parent TSPL.

Detailed description of the key rating drivers

Strong Parentage & Tata Group Support

Tata Sons Private Limited (TSPL) is the principal holding company of THDCL having an equity stake of 99.96% as on March 31, 2020. The company has strong linkages with its promoters as reflected through maintaining of ownership, sharing of Tata brand name, two nominees of TSPL on THDCL's BoD (Board of Directors), continued promoter support towards implementation of plans/policies approved by the board. Moreover, in order to support the business, TSPL has infused equity of over Rs. 2,900 crore in THDCL during FY13 to FY20 period. 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. Further, owing to THDCL's strategic importance towards implementation of the Tata Group's real estate business plans in the residential segment, demonstrated parental support in the form of strategic, managerial and funding support in the past is expected to continue.

In CARE's opinion, THDCL's credit ratings continue to reflect established track record in managing real estate business and is aided by the management and financial support received from TSPL owing to its strategic importance to the group's overall real estate business plans.

Experienced Management

Operations of THDCL's are managed well experienced management team led by Mr. Sanjay Dutt as its MD and CEO; Mr. Dutt has an overall experience of around two and half decades in the field of real estate. Earlier Mr. Dutt was associated with Ascendas-Singbridge's India operation and private fund as CEO and prior to that he served as the Managing Director of Cushman & Wakefield (India) and CEO (Business) of JLL. The management team is supported by Mr. Sanjay Sharma as its Chief Financial Officer; Mr. Sanjay Sharma has over 28 years of investment banking experience.

Wide geographical presence and diversified project portfolio

As on March 31, 2020, THDCL has 34 ongoing/completed projects with a total saleable area of 28.56 million square feet (msf) at various stages of development across various locations in the country. Top five cities Gurgaon, Mumbai, Bengaluru, Noida, and Kolkata together contributes to 75.90% of company total supply of residential units. THDCL has also expanded its operations in international markets with projects based out of Maldives and Sri Lanka.

THDCL has balanced product mix vis-à-vis the mid segment/affordable housing (32.35%), premium and luxury housing (52.94%) and mix category (14.71%). In view of the increasing demand for affordable housing, THDCL had incorporated a separate subsidiary company, TVHL to focus on the value and affordable housing business. Tata Housing focuses on premium and luxury housing business and Tata Value Homes Limited focuses on value and affordable housing business.

Key Rating Weaknesses

Leveraged Capital Structure

The slowdown in the real estate sector has impacted the company's project saleability, subsequently piling up of inventory, execution of projects, etc has led to increased debt funding. On the other hand, despite infusion of equity amounting to Rs.1,300 crore from the promoters during FY19, accumulation of losses over past few years has resulted into decline in the company's net worth. The company's overall gearing further deteriorated from 2.14 times as on March 31, 2019 to around more than 3.50 times as on March 31, 2020.

Owing to its moderate cash flows, the company continues to refinance majority of the debts repayments. During Q1FY21, THDCL has already refinanced majority of the debt which was maturing in FY21. Moreover, with expected sluggishness in the real estate market the company is expected to continue to refinance its debt maturing in near to medium term. Nevertheless, with declining net worth and increasing debt levels, equity infusion from the promoters remains critical for the company and hence will remain key rating monitorable going forward.

Project Execution risks and high dependence on customer advances for project funding

Among the various on-going projects, a large part of 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 is expected to focus more on completing the projects and is expected to go slow in launching projects in comparison to the past. Further, project execution is largely dependent on the timely receipt of customer advances and any delay in receipt of the same or slower sales and uncertain economic environment may lead to slower project execution as compared to envisaged levels.

Industry Outlook

CARE continues to have Negative outlook for Real Estate sector. The sector was as it is facing lower sales and collection on the back of subdued demand is further expected to witness slowdown in construction activity and weakened cash flows due to pessimistic sentiments of the buyers owing to the pandemic. This would mean the projects getting delayed and cash flow mismatch in the short term forcing the developers to raise funds through tapping the refinancing route which would mean higher cost for the developers. Our discussion with several developers has led to a conclusion that developers with lower leverage will be able to sustain these tough times with ease as compared to developers having high leverage who do not have financial flexibility to raise funds. In CARE's opinion the credit quality is expected to weaken and going forward , revival of the segment will be slow and gradual.

Liquidity: Adequate

As on August 31, 2020, THDCL's cash and bank balance aggregated to ~Rs.185 crore on consolidated level. Additionally, as on July 31, 2020 the company had unutilized sanctioned working capital limits amounting to ~Rs.450 crore. As against the current liquidity, the company had scheduled debt repayments obligation of ~Rs.357 crore in H2FY21. Besides, as on August 31, 2020, the company had outstanding commercial paper of around Rs.385 crore, which is largely expected to be met through refinancing.

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 SPVs. This is on account of 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 mentioned in **Annexure 3**.

Further, for arriving at the ratings of THDCL, CARE 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, Tata Sons Private Limited (TSPL).

Applicable Criteria

Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology: Consolidation and Factoring Linkages in Ratings
Rating Methodology – Real Estate Sector
Liquidity Analysis of Non-financial sector entities

About the Company (Tata Value Homes Limited, TVHL)

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 8 cities of India having approximately 10.25 million square feet (msf) under development.

Standalone Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	171.73	118.11
PBILDT	-33.67	-8.00
PAT	-224.99	-108.59
Overall gearing (times)	6.54	66.14
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

About the Company (Tata Housing Development Company Limited, THDCL)

Tata Housing Development Company Limited (THDCL) is subsidiary of Tata Sons Limited (TSPL). TSPL holds 99.96% of equity. 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 34 projects across various stages of development with total area under development of 28.56 msf with total sales value of ~Rs. 17,198 crore.

Consolidated Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	FY20 (P)
Total operating income	828.86	1,508.19	1054.46
PBILDT	-195.87	122.41	41.17
PAT	-376.61	-444.03	-554.03
Overall gearing (times)	3.30	2.14	3.58
Interest coverage (times)	-0.96	0.39	0.14

A: Audited; P: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4*

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	370.00	CARE AA; Stable
Fund-based - LT-Term Loan	-	-	-	June 2022	21.00	CARE AA; Stable
Debentures-Non Convertible Debentures	INE069P08044	April 27, 2018	8.40%	April 26, 2021	100.00	CARE AA; Stable
Debentures-Non Convertible Debentures	INE069P08051	September 23, 2019	9.35%	September 23, 2022	200.00	CARE AA; Stable
Debentures-Non Convertible Debentures	INE069P08036	April 27, 2018	8.35%	June 15, 2020	0.00	Withdrawn

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	-	-	-	-	100.00	CARE A1+
Commercial Paper-Commercial Paper (Standalone)	-	-	-	-	100.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (24-Dec-18)	1)CARE AA; Stable (02-Jan-18)
2.	Fund-based - LT-Cash Credit	LT	370.00	CARE AA; Stable	-	1)CARE AA; Stable (25-Sep-19)	1)CARE AA; Stable (24-Dec-18)	1)CARE AA; Stable (02-Jan-18)
3.	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (25-Sep-19)	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (02-Jan-18)
4.	Commercial Paper-Commercial Paper (Standalone)	ST	100.00	CARE A1+	-	1)CARE A1+ (25-Sep-19)	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (02-Jan-18)
5.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (25-Dec-19) 2)CARE AA; Stable (25-Sep-19)	1)CARE AA; Stable (24-Dec-18)	1)CARE AA; Stable (02-Jan-18)
6.	Debentures-Non Convertible Debentures	LT	100.00	CARE AA; Stable	-	1)CARE AA; Stable (25-Sep-19)	1)CARE AA; Stable (24-Dec-18) 2)CARE AA; Stable (18-Apr-18)	-
7.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA; Stable	-	1)CARE AA; Stable (25-Sep-19)	-	-
9.	Fund-based - LT-Term Loan	LT	21.00	CARE AA; Stable	-	-	-	-

Annexure 3- Name of the companies consolidated in THDCL

Sr. No.	**Subsidiaries**
1	Tata Value Homes Limited
2	Concept Developers & Leasing Limited
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
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	Smart Value Homes (New Project) LLP
6	Kolkata-One Excelton Private Limited
7	Promont Hilltop Private Limited
8	Sector 113 Gatevida Developers Private Limited
9	Smart Value Homes (Peenya Project) Private Limited
10	Land Kart Builders Private Limited
11	Ardent Properties Private Limited

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

Name of the Instrument	Detailed explanation
A. Financial covenants	
I. Maintenance of ratios	The company shall maintain its debt/Equity ratio and security cover as specified in the term sheets
B. Non-financial covenants	
I. Change in shareholding/ ownership	Tata Housing Development Co. Ltd. shall continue to retain controlling stake in the company. TVHL will maintain a holding of minimum 50% in subsidiaries/SPV's/LLP's and there shall not be any bank borrowing in these subsidiaries/SPV's/LLP's for which NFB limits shall be utilized. The bank reserves the right to withdraw the facilities in the event of any change in circumstances including but not limited to a material change in ownership/ shareholding/ management of the firm.
Ii. End use of funds	The company should undertake to utilize the funds strictly for the purpose for which facilities are extended and shall not divert the business mentioned in the proposal and shall not go under any expansion.
Iii Insurance	All the assets should be comprehensively insured for the full value.

Annexure 5: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2	Commercial Paper Issue	Simple
3.	Long-term Bank Facilities- Fund based	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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