CARE Ratings
Professional Risk Opinion

No. CARE/HO/RL/2020-21/1672

Mr. Sanjay Sharma
Chief Financial Officer
Tata Housing Development Company Limited
E Block, Voltas Compound, T B Kadam Marg,
Chinchpokli, Mumbai - 400033

June 15, 2020

Confidential

Dear Sir,

Credit rating for proposed Non-Convertible Debenture issue

Please refer to your request for rating of proposed long-term non-convertible debenture (NCD) issue aggregating to Rs.500 crore of your company. The proposed NCDs would have tenure of eighteen months with bullet repayment at the end of tenor.

2. The following ratings have been assigned by our Rating Committee:

Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture issue	500 (Rs. Five hundred crore only)	**CARE AA; Stable (Double A; Outlook Stable)**	**Assigned**

3. Please arrange to get the rating revalidated, in case the proposed issue is not made within a period of **six months** from the date of our initial communication of rating to you (that is June 12, 2020).

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

4. In case there is any change in the size or terms of the proposed issue, please get the rating revalidated.

5. 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

6. Kindly arrange to submit to us a copy of each of the documents pertaining to the NCD issue, including the offer document and the trust deed.

7. 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 June 16, 2020, we will proceed on the basis that you have no any comments to offer.

8. 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.

9. 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 debt instrument, CARE shall carry out the review on the basis of best available information throughout the life time of such instrument. 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.

10. 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.

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

12. 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. We are indeed, grateful to you for entrusting this assignment to CARE.

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CIN-L67190MH1993PLC071691

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Professional Risk Opinion

Thanking you,

Yours faithfully,

Krishna Pandey	**Vikash Agarwal**
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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.

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Tata Housing Development Company Limited

February 05, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Proposed Non-Convertible Debenture issue	1,300.00 (Rs. One thousand three hundred crore only)	CARE AA; Stable (Double A; Outlook: Stable)	Assigned

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 and are 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 rating assigned to the proposed long term Non-Convertible Debentures (NCD) factors in the strong parentage of Tata Housing Development Company Limited [THDCL, 99.96% owned by Tata Sons Private Limited (TSPL)] and its strategic 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 maintaining of ownership, sharing of Tata brand name, continued strong promoter support towards implementation of plans/policies approved by the board of both the entities 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. The rating also draws comfort from the fact that THDCL enjoys strong financial flexibility to raise funds on the back of having strong linkages with TSPL. 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 ratings are, however tempered by project execution risk for under construction projects, moderate sales position and increased inventory levels leading to higher reliance on debt to bridge the funding gap for significant on-going projects resulting into leveraged capital structure. The company also remains exposed to the inherent cyclical risk associated with the real estate industry.

Given the high repayments due over the next couple of years, THDCL also faces refinancing risk. 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 in the past is expected to continue.

Going forward, THDCL's ability to deliver the projects as scheduled within envisaged cost, achieve the envisaged realizations leading to improvement in capital structure in light of challenging economic backdrop 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.
- Decrease in shareholding resulting into weakening of linkages between THDCL and its parent TSPL.

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

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, 2019. The strong parentage is reflected through maintaining of ownership, sharing of Tata brand name, continued promoter support towards implementation of plans/policies approved by the board of both the entities. Besides, THDCL's Board of Directors includes Mr. Banmali Agarwala, President –Infrastructure, Defense & Aerospace, Tata Sons and Mr. Nipun Agarwal, Senior Vice President-Strategy, M&A, Tata Sons). Moreover, in order to support the business, TSPL has infused equity of over Rs. 2,800 crore in THDCL during FY13 to FY19. 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.
Earlier, Tata Sons Ltd. announced re-organization of its real estate and infrastructure business housed under Tata Housing Development Company Limited and Tata Realty and Infrastructure Limited (TRIL) (CARE A1+). As per the management, TRIL, a wholly owned subsidiary of TSPL, may become the holding company of THDCL. As per the management, the proposal is under evaluation and the same is aimed to simplify the business structure and leverage operational synergies. 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 and the same is expected to continue post reorganization. However, CARE will continue to closely monitor the development and its consequent impact on the credit risk profile of THDCL.

Experienced Management
THDCL recently appointed Mr. Sanjay Dutt as its MD and CEO; Mr. Dutt has an overall experience of around two and half decades years 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.

Wide geographical presence and diversified project portfolio
Currently, THDC has 35 projects with a total saleable area of 42.39 million square feet (Mn Sq.Ft) at various stages of development across various locations in the country. THDCL is currently focusing on highly urbanized regions such as Mumbai Metropolitan Region (27%), National Capital Region [NCR] (24%) and Bengaluru (16%). THDCL has also expanded its operations in international markets with projects based out of Maldives and Sri Lanka.
The company also has a balanced project mix catering with affordable housing segment comprising 29% of the portfolio, premium and luxury comprising 51% and mixed category accounting for around 17%. In view of increasing demand for affordable housing, THDCL to focus on the same caters to the segment through a separate subsidiary company Tata Value Homes Limited (TVHL). During nine months ended December 31, 2019 the company on a consolidated basis achieved sales of Rs.930 crore and collection from customers stood at Rs.910 crore.

Joint development model adopted by the company
THDCL, so far, did not invest significantly in land and has largely adopted a joint development model. The company continues its longstanding approach of a joint venture/joint development model, and presently majority of the projects of the company are under the joint venture model.

Leveraged Capital Structure
The slowdown in the real estate sector has impacted the company's project saleability, subsequently piling up of inventory and execution of projects has led to increased debt funding. The company, however, is looking to complete the existing phases/projects and liquidate the inventory to reduce its leverage. On a consolidated basis, on the back of healthy equity infusion of Rs.1,300 crore during the last quarter of FY19 (refers to the period from April 01 to March 31), the overall gearing improved to 2.14x as on March 31, 2019 as against 3.30x at the end of FY18 and 3.56xat the end of FY17; however the same continues to remain at elevated levels. During the same period on standalone basis, overall gearing improved to 1.01x from that of 1.89x at the end of FY18 and from 2.62x at the end of FY17 respectively. Going forward, the company has sizeable repayments due in the next couple of years and the company is expected to face refinancing risk. Nevertheless, the company has managed it successfully in the past. Further, demonstrated parental support in the form of strategic, managerial and funding support in the past is expected to continue.

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. During FY20, 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.

Adequate Liquidity
As on December 31 2019, THDCL's liquidity is marked by unutilized sanctioned limits to the tune of ~Rs.1128.61 crore and an outstanding cash and bank balance of ~Rs.91.00 crore. As on December 31 2019, the company has sizeable debt repayments of around Rs.306.50 crore to be repaid during Q4FY20 and around Rs.1,760 crore in FY21 respectively which is largely expected to be met through refinancing. Besides, the company has an outstanding commercial paper of around Rs.800 crore as on December 31 2019. However, being subsidiary of Tata Sons capital market accessibility of THDCL is high. Moreover, THDCL also benefits from financial flexibility of Tata Sons limited and the same is expected to continue. Out of sanctioned fund-based limits of Rs.1,175 crore, average utilization for the last 12 months ended November 30 2019 was ~50.45%.

Industry Risk
With the on-going economic conditions, the real estate industry is facing issues on many fronts. These include subdued demand, curtailed funding options, rising costs, restricted supply due to delays in approvals, government policies, etc. thereby resulting in stress on cash flows. Further, the real estate industry is highly cyclical in nature and has seen low demand primarily due to factors like demonetization, inflationary pressures due to implementation of GST and sustained moderate inflation which apart from keeping interest rates high, has adversely impacted the buying power and affordability for the consumers.

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.

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 to Credit Ratings
CARE's Policy on Default Recognition
Criteria on Financial ratios - Non-Financial sector

About the Company
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 35 projects across various stages of development with total area under development of 41.74 msf with total sales value of Rs. 28,281.83 crore.

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

A: Audited; NM: Not Meaningful

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: *Not Applicable.*

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	ISIN No.	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	yet to be placed	Proposed	yet to be placed	Yet to be placed	1300.00	CARE AA; Stable

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	950.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (25-Sep-19)	1)CARE AA; Stable / CARE A1+ (24-Dec-18)	1)CARE AA; Stable / CARE A1+ (02-Jan-18)	1)CARE AA; Stable / CARE A1+ (31-Dec-16) 2)CARE AA / CARE A1+ (09-Aug-16)
2.	Commercial Paper	ST	175.00	CARE A1+	1)CARE A1+ (25-Sep-19)	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (02-Jan-18)	1)CARE A1+ (31-Dec-16)
3.	Commercial Paper	ST	425.00	CARE A1+	1)CARE A1+ (25-Sep-19)	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (02-Jan-18)	1)CARE A1+ (31-Dec-16)
4.	Commercial Paper	ST	400.00	CARE A1+	1)CARE A1+ (25-Sep-19)	1)CARE A1+ (24-Dec-18)	1)CARE A1+ (02-Jan-18)	1)CARE A1+ (31-Dec-16) 2)CARE A1+ (05-Oct-16)
5.	Debentures-Non Convertible Debentures	LT	1300.00	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

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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