

Tata Housing Development Company Limited

April 14, 2023

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term / Short-term bank facilities	1,300.00	CARE AA; Stable / CARE A1+	Reaffirmed
Non-convertible debentures	800.00	CARE AA; Stable	Assigned
Non-convertible debentures	500.00	CARE AA; Stable	Reaffirmed
Non-convertible debentures	200.00	CARE AA; Stable	Reaffirmed
Non-convertible debentures	300.00	CARE AA; Stable	Reaffirmed
Non-convertible debentures	300.00	CARE AA; Stable	Reaffirmed
Non-convertible debentures	-	-	Withdrawn
Commercial paper	200.00	CARE A1+	Reaffirmed
Commercial paper	500.00	CARE A1+	Reaffirmed
Commercial paper	500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities/instruments of Tata Housing Development Company Limited (THDCL) continue 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 company which manages the group's real estate business. The same is reflected through maintenance of ownership, sharing of the Tata brand name, nominees of TSPL on THDCL's Board of Directors, continued support from the group in the form of fund infusion and implementation of plans/policies. 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, the ratings derive strength from the company's experienced management, wide geographical presence, and diversified product portfolio catering to different income groups.

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

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to one of the non-convertible debentures of THDCL based on the 'No Dues Certificate' received from the Debenture Trustee.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

Negative factors

- Deterioration in gearing beyond envisaged levels on a sustained basis.
- 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 its parent, TSPL.

Analytical approach: Consolidated

CARE Ratings has adopted consolidated approach for analysing THDCL. The subsidiaries/associates/joint ventures along with the parent company, THDCL, have been consolidated on account of being under a common management and having operational and financial linkages. The list of entities whose financials have been consolidated are mentioned in **Annexure-6**.

Furthermore, CARE Ratings has factored in the linkages with strong promoters – Tata Sons Private Limited and Tata Realty Infrastructure Limited.

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

Outlook: Stable

The stable outlook reflects CARE Ratings' belief that the company is expected to derive benefit from healthy financial flexibility by virtue of being associated with strong promoters and expectation of continued managerial and financial support.

Key strengths**Strong parentage and support of the Tata Group**

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 maintenance 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 ₹2,900 crore in THDCL between FY13 (refers to the period April 1 to March 31) and FY20, and TRIL has infused ₹1,500 crore between FY21 and FY23.

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 the Tata Group, CARE Ratings expects the demonstrated parental support in the past in the form of strategic, managerial and funding support to continue, going forward.

Experienced management

THDCL benefits from its experienced senior management, headed by its Managing Director and Chief Executive Officer, 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 12 ongoing/completed projects with a total saleable area of around 85 lakh square feet (Isf) at various stages of development across various locations in the country. Gurgaon, Mumbai, Bengaluru, Noida, and Kolkata, together contribute around 74% of the company's total supply of residential units and form its top five cities.

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

Key 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 with 5.47x as on March 31, 2021. The improvement is attributable to infusion of equity amounting to ₹500 crore from the promoters during FY22 along with reduction of total debt.

CARE Ratings continues to monitor the funding support from the promoters and refinancing of debt, which 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 implies high 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 organisation to grow seamlessly. 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 might lead to slower project execution.

Inherent risk associated with cyclical nature of the 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 might depress the real estate market.

Liquidity: Strong

As on February 28, 2023, THDCL had a consolidated cash and bank balance of around ₹497 crore. Additionally, as on February 28, 2023, the company, on a consolidated level, had unutilised sanctioned working capital limits amounting to around ₹900 crore. As against the current liquidity and undrawn limits, the company has long-term debt repayments obligation of around ₹900 crore for FY24. 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.

Applicable criteria[Policy on default recognition](#)[Consolidation](#)[Factoring Linkages Parent Sub JV Group](#)[Financial Ratios – Non financial Sector](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Credit Watch](#)[Short Term Instruments](#)[Rating methodology for Real estate sector](#)[Policy on Withdrawal of Ratings](#)**About the company and industry****Industry classification**

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Tata Housing Development Company Limited (THDCL) is held by Tata Sons Private Limited, with direct holding of around 57% and around 43% through Tata Realty and Infrastructure Limited as on December 31, 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 12 projects across various stages of development.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023
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; Note: 'the above results are latest financial results available'

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-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper	INE582L14GS8	23-Feb-23	7.75	24-May-23	100.00	CARE A1+
Commercial Paper	INE582L14GS8	28-Feb-23	7.75	24-May-23	100.00	CARE A1+
Commercial Paper	Not yet issued	-	-	-	500.00	CARE A1+
Commercial Paper	Not yet issued	-	-	-	500.00	CARE A1+
Fund-based/non-fund-based-LT/ST	-	-	-	-	1300.00	CARE AA; Stable / CARE A1+
Non-Convertible Debentures	INE582L07161	07-Feb-2020	5.75	06-Feb-2023	0.00	Withdrawn
Non-Convertible Debentures	INE582L07187	21-May-2020	9.10	19-May-2023	500.00	CARE AA; Stable
Non-Convertible Debentures	INE582L07179	19-May-2020	9.10	19-May-2023	200.00	CARE AA; Stable

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-Convertible Debentures	INE582L08029	30-Jan-23	8.48	29-Jan-26	600.00	CARE AA; Stable
Non-Convertible Debentures	Proposed	-	-	-	800.00	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 2023-2024	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
1	Fund-based/non-fund-based-LT/ST	LT/ST*	1300.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (24-Jan-23) 2)CARE AA; Stable / CARE A1+ (28-Sep-22)	1)CARE AA; Stable / CARE A1+ (29-Sep-21)	1)CARE AA; Stable / CARE A1+ (30-Sep-20)
2	Commercial Paper-Commercial Paper (Standalone)	ST	200.00	CARE A1+	-	1)CARE A1+ (28-Sep-22)	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)
3	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (28-Sep-22)	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)
4	Commercial Paper-Commercial Paper (Standalone)	ST	500.00	CARE A1+	-	1)CARE A1+ (28-Sep-22)	1)CARE A1+ (29-Sep-21)	1)CARE A1+ (30-Sep-20)
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)
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	-	-	-	1)CARE AA; Stable (24-Jan-23)	1)CARE AA; Stable (29-Sep-21)	1)CARE AA; Stable (30-Sep-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
						2)CARE AA; Stable (28-Sep-22)		2)CARE AA; Stable (16-Jun-20)
8	Debentures-Non-Convertible Debentures	LT	500.00	CARE AA; Stable	-	1)CARE AA; Stable (24-Jan-23) 2)CARE AA; Stable (28-Sep-22)	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 (24-Jan-23) 2)CARE AA; Stable (28-Sep-22)	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 (24-Jan-23) 2)CARE AA; Stable (28-Sep-22)	1)CARE AA; Stable (29-Sep-21)	1)Provisional CARE AA; Stable (30-Sep-20)
11	Debentures-Non-Convertible Debentures	LT	300.00	CARE AA; Stable	-	1)CARE AA; Stable (24-Jan-23)	-	-
12	Debentures-Non-Convertible Debentures	LT	800.00	CARE AA; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper	Simple
2	Debentures-Non-Convertible Debentures	Simple
3	Fund-based/non-fund-based-LT/ST	Simple

Annexure-5: Lender details

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

Annexure-6: 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
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

Note on the 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 Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Yogesh Shah Senior Director CARE Ratings Limited Phone: +91-22-6754 3640 E-mail: Yogesh.shah@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saiikat.roy@careedge.in	Divyesh Bharat Shah Director CARE Ratings Limited Phone: +91-20-4000-9069 E-mail: divyesh.shah@careedge.in
	Amita Yadav Assistant Director CARE Ratings Limited Phone: +91-20-4000-9004 E-mail: amita.yadav@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