27th December, 2023

To,
BSE Limited
Listing Dept. / Dept. of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

Security Code: 539301
Security ID : ARVSMART

To,
National Stock Exchange of India Limited
Listing Dept., Exchange Plaza, 5th Floor,
Plot No. C/1, G. Block, Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051.

Symbol: ARVSMART

Dear Sir/Madam,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that Indian Ratings and Research **("IRA")** has upgraded / assigned / withdrawn the following ratings:

Sr. No.	Instrument type	Size of Issue (INR in Crores)	Rating / Outlook	Rating Action
1	Proposed term loan	325	IND A+/Stable	Upgraded
2	Proposed term loan	75	IND A+/Stable	Assigned
3	Proposed Non-Convertible Debentures (NCDs)	75	WD	Withdrawn

We are attaching herewith the Rating Letter dated 26th December, 2023 and Rating Action Commentary of IRA for your information.

You are requested to take note of the same.

Thanking you,
Yours faithfully,
For Arvind SmartSpaces Limited

Prakash Bhogilal Makwana
Digitally signed by Prakash Bhogilal Makwana
Date: 2023.12.27 17:27:37 +05'30'

Prakash Makwana
Company Secretary

Encl. As above

Mr. Ankit Jain
CFO
Arvind SmartSpaces Limited
24, Government Servant's Society,
Nr. Municipal Market, Off C.G. Road,
Navrangpura, Ahmedabad - 380009,
Gujarat, India.

December 26, 2023

Dear Sir/Madam,

Re: Rating Letter of Arvind SmartSpaces Limited

India Ratings and Research (Ind-Ra) has upgraded Arvind Smartspaces Limited's (ASSL) Long-Term Issuer Rating to 'IND A+' from 'IND A'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Proposed non-convertible debentures (NCDs)	-	-	INR750	WD	Withdrawn*
Proposed term loan	-	-	INR3,250	IND A+/Stable	Upgraded
Proposed term loan	-	-	INR750	IND A+/ Stable	Assigned

*Ind-Ra has withdrawn the ratings for the NCDs as the company did not proceed with the instrument as envisaged. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

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Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, “India Ratings” means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings

Dr Devendra Pant
Senior Director

Annexure: Facilities Breakup

Instrument Description	Banks Name	Ratings	Outstanding/Rated Amount(INR million)
Term Loan	NA	IND A+/Stable	4000.00

India Ratings Upgrades Arvind Smartspaces to 'IND A+'/Stable; Withdraws Proposed NCDs; Rates New Term Loans

Dec 26, 2023 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has upgraded Arvind Smartspaces Limited's (ASSL) Long-Term Issuer Rating to 'IND A+' from 'IND A'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Proposed non-convertible debentures (NCDs)	-	-	INR750	WD	Withdrawn*
Proposed term loan	-	-	INR3,250	IND A+/Stable	Upgraded
Proposed term loan	-	-	INR750	IND A+/Stable	Assigned

*Ind-Ra has withdrawn the ratings for the NCDs as the company did not proceed with the instrument as envisaged. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

ANALYTICAL APPROACH: Ind-Ra continues to take a consolidated view of ASSL and its subsidiaries/joint ventures while arriving at the ratings, due to the strong operational and strategic ties among them.

The upgrade reflects the consistent improvement in the operational and credit profile of ASSL and its subsidiaries since FY21.

Key Rating Drivers

Consistent Improvement in Credit Metrics and Scale of Operations: The consolidated credit metrics improved significantly over FY22 and FY23 on account of healthy collections from ongoing and completed projects (FY23: INR6,000 million, FY22: INR5,950 million, FY21: INR3,258 million). ASSL used a major portion of its operating cash flows for debt prepayment and the construction of ongoing projects during FY22 and FY23. Consequently, the company has been net cash positive since FY21. The net debt was negative INR1,440 million, inclusive of INR520 million of optionally convertible debentures at end-1HFY24 (FYE23: INR16 million, FYE22: negative INR1,207 million). The presales-to-net debt ratio and net debt to working capital improved to negative 3.5x and negative 2.8x, respectively, at end-1HFY24 (FYE23: 505.2x, 0.01x).

In November 2022, ASSL partnered with HDFC Capital Affordable Real Estate Fund-2 for an INR9,000 million platform, wherein the former will invest INR3,000 million and the balance will come from the fund over a couple of years to acquire and develop new residential real estate projects across Ahmedabad, Bengaluru, Pune and Mumbai Metropolitan Region (MMR). At this point of time, the company has sufficient headroom to avail new debt and any further drawing from the platform is well within Ind-Ra's base case assumptions for FY24 and FY25.

Consistently Improved Sales and Collections: During FY23 and 1HFY24, the presales stood at INR8,020 million and INR5,040 million, respectively, supported by increased sales of ongoing projects and launch of new projects/ additional phases (FY22: INR6,013 million, FY21: INR5,292 million), in line with Ind-Ra's base case expectations for these periods. As on 30 September 2023, the balance construction cost (including the land share of JV partners) towards ongoing projects was around INR11,010 million, against which it has committed receivables of INR9,214 million from the already booked units, which largely reduces the project completion risk.

Liquidity Indicator - Adequate: At end-1HFY24, ASSL had healthy collection visibility from the already booked units and an estimated unsold inventory of about INR8,617 million under its ongoing projects, as well as estimated total receivables of INR1,041 million from the completed projects. Apart from that, there remains sufficient headroom to avail additional debt. ASSL's free cash and cash equivalents (including liquid investments) at end-1HFY24 were INR2,163 million. The committed cash flow from the already sold units from the completed and ongoing projects along with the unsold inventory totalling INR18.9 billion and available cash and cash equivalents are likely to be sufficient to meet ASSL's near-to-medium-term funding requirements of about INR16.5 billion for the ongoing and pipeline projects till FY26.

Linkages with Strong Promoter: ASSL is a part of the Lalbhai Group (flagship companies – Arvind Limited and Arvind Fashions Limited) and shares the same brand name. The promoters had infused equity capital in the company during FY17-FY18 (FY18: INR530 million, FY17: INR510 million), and INR350 million in October 2021. ASSL had also issued warrants of INR290 million in April 2021 to its managing director and chief executive officer, which was exercised in October 2022. Furthermore, all companies have common director(s) on their boards.

Moderate Diversification in terms of Ticket Size and Geography: ASSL's historical sales have been fairly diversified across mid-segment and luxury projects, along with a few affordable housing and commercial/industrial projects. From the ongoing and pipeline projects, 23% of the projects focus on the luxury segment, 69% on mid segment and 8% on affordable housing as of end-FY23. ASSL is primarily focused on residential projects, with operations fairly concentrated in Ahmedabad and Bengaluru. As at end-1HFY24, the company's estimated unsold inventory value from ongoing and completed projects was around 67%, 29% and 3% in Ahmedabad, Bengaluru and Pune, respectively. However, the company is looking to further diversify its operations.

Medium Scale of Operations with Reasonable Delivery Track Record: ASSL has completed 12 projects since its inception in 2009, with a total developed area of 4.9 million square feet (sf) and has 11 ongoing projects with a total developable area of 21.6 million sf, of which about 78% was sold till 1HFY24. Of the total sales from the ongoing projects, the company has so far collected about 65% while incurring costs of about 56% of the estimated project cost (including the share towards JV and JD partners). The volatility in the sales and collections is due to ASSL's medium scale of operations and the varied timing of new project launches. For the completed projects, around 6% of the area remains unsold.

Moderate Project Concentration: Ind-Ra expects ASSL's top five projects (except Arvind Forreste – 5, as ASSL is the project manager) – Uplands – Ph I, Uplands Ph – II, Uplands 2.0 & 3.0, Greatlands and Chirping Woods and High Grove - to contribute about 58% to the overall receivables. The concentration has reduced marginally from FY22, where the top three projects (excluding Arvind Forreste, as ASSL is the project manager) contributed around 59% (inclusive of Uplands, Chirping Woods and Belair). The company's unsold inventory is likely to be less concentrated in FY24 and FY25, with the upcoming projects in pipeline. The presales from its affordable housing project remain subdued with the company recording presales for only 75% of the area since its launch in FY19.

Modest Standalone Financial Profile: ASSL reported revenue of INR943.3 million in 1HFY24 (FY23: INR1,547.3 million) and EBITDA margins of around 29.5% (14.3%). The large difference in presales and reported revenue was primarily due to revenue recognition as per Ind-AS.

Cyclical Industry; Exposed to Regulations: Players in the real estate industry have volatile cash flows due to high cyclicality which during a downturn impacts demand severely. Also, the sector is exposed to a number of regulatory requirements including local bodies' clearances/master plans that are subject to frequent changes, and thus lead to confusion, non-compliance and delays in the execution of projects.

Rating Sensitivities

Positive: Substantial growth in the scale of operations leading to healthy cash flows and strong sales momentum, while maintaining strong credit metrics, on a sustained and consolidated basis, will be positive for ratings.

Negative: Project cost overrun and/or subdued sales resulting in lower collections and increased reliance on debt, leading to presales-to-net debt declining below 1.8x and net debt-to-working capital exceeding 0.35x, on a sustained basis, will lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues either are credit neutral or have only a minimal credit impact on ASSL over the short-medium term, due to either their nature or the way in which they are being managed by the entity. The group structure does show complexity which has been factored into the ratings. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

Headquartered in Ahmedabad, ASSL is the real estate arm of Lalbhai group (flagship company - Arvind Limited) and was set up in December 2008. ASSL is primarily focused on the development of residential projects. Its residential projects comprising villas, apartments and plots are targeted towards middle income and high-income customers. Its existing integrated townships comprise executive golf course with villas, apartments, retail, commercial and recreational areas. It also undertakes commercial and industrial projects on a selective basis.

ASSL has completed 4.9 million sf of projects, while 21.6 million sf projects are under construction and around 33.9 million sf projects are under pipeline and future developments.

CONSOLIDATED FINANCIAL SUMMARY

Particulars (INR million)	**1HFY24**	**FY23**	**FY22**
Revenue	1,443	2,633	2,644
EBITDA	602	489	491
EBITDA margin (%)	43.1	19.1	19.1
Pre-sales	5,040	8,020	6,013
Net debt	Negative	16	Negative
Pre-sales/net debt (x)	Negative	505.2	Negative
Net-debt/adjusted inventory (x)	Negative	0.0	Negative
Source: ASSL, Ind-Ra			

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/ Outlook			Historical Rating/ Outlook			
	Rating Type	Rated Limits (million)	Rating	27 December 2022	22 February 2022	12 January 2021	7 August 2020
Issuer rating	Long-term	-	IND A+/Stable	IND A/Positive	IND A/Positive	IND A-/Stable	IND A-/Stable
Proposed term loans	Long-term	INR4,000	IND A+/Stable	IND A/Positive	IND A/Positive	IND A-/Stable	IND A-/Stable
Proposed NCDs	Long-term	INR750	WD	IND A/Positive	-	-	-

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low
Term loans	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA

Treatment and Notching of Hybrids in Nonfinancial Corporates

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Rating Approach of Residential Real Estate Entities