

28th December, 2022

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

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

Security Code : 539301
Security ID : ARVSMART

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Regulations, 2015, we hereby inform you that Indian Ratings and Research ("**IRA**") has upgraded / assigned / withdrawn the following ratings: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 (in ₹)	Rating / Outlook	Rating Action
1	Proposed term loan	325 Crores (reduced from 400 Crores)	IND A/Positive	Affirmed
2	Proposed Non-Convertible Debentures (NCDs)*	75 Crores	IND A/Positive	Assigned

We are attaching herewith the Rating Letter dated 27th December, 2022 and Rating Action Commentary of IRA for your information.

Kindly take the same on your record.

Thanking You,

Yours Faithfully,

For Arvind SmartSpaces Limited

Prakash Makwana
Company Secretary

Arvind SmartSpaces Limited
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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 27, 2022

Dear Sir/Madam,

Re: Rating Letter for NCD & BLR of Arvind SmartSpaces Limited

India Ratings and Research (Ind-Ra) has affirmed Arvind SmartSpaces Limited's (ASSL) Long-Term Rating at 'IND A'. The Outlook is Positive. The instrument-wise ratings are as follows:

Instrument Type	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Proposed term loan	-	INR3,250 (reduced from INR4,000)	IND A/Positive	Affirmed
Proposed non-convertible debentures (NCDS)*	Dec 2026	INR750	IND A/Positive	Assigned

*yet to be issued

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.

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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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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)
Proposed Term Loan	NA	IND A/Positive	3250



India Ratings Affirms Arvind SmartSpaces and Rates its NCDs at 'IND A'/Positive

Dec 27, 2022 |

India Ratings and Research (Ind-Ra) has affirmed Arvind SmartSpaces Limited's (ASSL) Long-Term Rating at 'IND A'. The Outlook is Positive. The instrument-wise ratings are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Proposed term loan	-	-	-	INR3,250 (reduced from INR4,000)	IND A/Positive	Affirmed
Proposed non-convertible debentures (NCDS)*	-	-	Dec 2026	INR750	IND A/Positive	Assigned

*yet to be issued

The affirmation reflects ASSL's strong credit metrics, due to a continued robust operating performance (pre-sales and collection) with limited reliance on debt to fund its projects since FY21.

The Positive Outlook continues to reflect Ind-Ra's expectation of ASSL maintaining healthy presales growth, the successful launch of new projects and strong traction in the same while maintaining comfortable credit metrics. It also reflects Ind-Ra's expectation of ASSL's ramp-up in the project pipeline such that there is more diversification of revenues over the next two years.

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.

Key Rating Drivers

Improvement in Credit Metrics: On a consolidated basis, ASSL's credit metrics improved significantly over FY21 and FY22 on account of healthy collections from ongoing and completed projects (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. Consequently, the gross debt reduced to INR301.5 million (including INR282 million of optionally convertible debentures (OCDs)) at FYE22 (FYE21: INR1,892 million (including OCDs of INR150 million), making it a net debt-free company. The presales-to-net debt ratio and net debt to working capital improved to 3.43x and 0.46x, respectively, in FY21 (FYE20: 1.35x, 0.52x).

The company continued to be net external debt free in 1HFY23, although the gross debt has increased at end-1HFY23 to INR 1092.8 million (including OCDs INR 294.6) as the company drew a new debt of INR781 million (sanctioned limits: INR1,000 million). The company continues to have sufficient headroom to avail new debt and the proposed NCDs of not more than INR750 million is well within Ind-Ra's base case assumptions for FY23.

In October 2021, ASSL received INR850 million of equity capital, infused by HDFC Capital Affordable Real Estate Fund-1 and promoters through allotment of fresh equity shares. Also, ASSL has partnered with HDFC Capital Affordable Real Estate Fund-2 for an INR9,000 million platform, wherein ASSL 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).

Improved Sales and Collections: During FY22 and 1HFY23, the presales stood at INR6,010 million and INR3,070 million in line with Ind-Ra's base case expectation. As on 30 September 2022, the balance construction cost (excluding the land share of JV partners) towards ongoing projects was around INR3,470 million, against which it has committed receivables of INR6,450 million from already booked units, which largely reduces the project completion risk. During FY21, ASSL's presales surged to INR5,293 million (FY20: INR2,859 million), supported by increased sales of ongoing projects and launch of new projects/additional phases.

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.

Liquidity Indicator - Adequate: As on 30 September 2022, ASSL had healthy collection visibility of INR7,340 million from already booked units and estimated unsold inventory of about INR10,310 million, both including ongoing and completed projects. Apart from that, there remains sufficient headroom to avail additional debt even after factoring in the proposed NCDs. As on 30 September 2022, ASSL had free cash and cash equivalents (including inter-corporate deposits) of INR919 million. The committed cash flow (net of land owner's share) from the already sold units, along with the unsold inventory, and available cash and cash equivalents are likely to be sufficient to meet ASSL's near-to-medium-term funding requirements of about INR11.5 billion for the ongoing and pipeline projects.

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, 24% of the projects focus on the luxury segment, 68%% on mid segment and 8% on affordable housing as of Sep 2022. ASSL is primarily focused on residential projects, with operations fairly concentrated in Ahmedabad and Bengaluru. As on 30 September 2022, the company's estimated unsold inventory value from ongoing projects was around 72%, 25% and 3% in Ahmedabad, Bengaluru and Pune, respectively. However, the company is looking to further diversify its operations.

Small Scale of Operations with Moderate 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 10 ongoing projects with a total developable area of 15.9 million sf, of which about 66% was sold till 1HFY23. Of the total sales, the company has so far collected about 62% while incurring costs of about 64% of the estimated project cost. The volatility in the sales and collections is due to ASSL's small scale of operations (pre-sales FY22: INR6,010 million, FY20: INR2,859 million), and the varied timing of new project

launches. For the completed projects, around 8% of the area valued at around INR1,460 million remains unsold; two projects with unsold inventory value of INR1,140m have been completed in 2022.

High Project Concentration: ASSL's top three projects (except Arvind Forreste, as ASSL is the project manager) contributed 59% to the overall presales in FY22 with Uplands, Chirping Woods and Belair contributing around 36%, 13% and 10% respectively. The company's unsold inventory is likely to be less concentrated in FY23, with the upcoming five new projects in pipeline. The presales from its affordable housing project remains subdued with the company recording presales for only 62% of the area since its launch in FY19.

Moderate Standalone Financial Profile: ASSL reported revenue of INR564.5million in 1HFY23 (FY22:INR1202 million) and INR 938 million) and EBITDA margins of around 22% (25%, 22%). 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 cyclicity which during a downturn impacts demand severely. 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: Steady growth in the scale of operations along with geographical diversification, leading to healthy cash flows and strong sales momentum, while maintaining strong credit metrics on a sustained 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 1.5x and net debt-to-working capital exceeding 0.5x, 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 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 3.8 million sf of projects, while 14.9 million sf projects are under construction and around 6.6 million sf projects are under pipeline.

FINANCIAL SUMMARY (Consolidated)

Particulars	FY21	FY22
Pre-sales (INR million)	5,293	6,010
Revenue (INR million)	1,493	2,567
EBITDA (INR million)	406	491
EBITDA margin (%)	27	19
Interest coverage (x)	1.51	2.92
Gross debt (INR million)	1,892	301.5
Cash & equivalents (INR million)	351	1,528
Net debt (INR million)	1,541	-1,226
Adjusted inventory (INR million)	3,924	2,372
Pre-sales/gross debt (x)	2.8	19.9
Pre-sales/net debt (x)	3.43	NA
Pre-sales/adjusted inventory (x)	1.35	2.55
Gross debt/ adjusted inventory (%)	52	13
Net debt/adjusted inventory (%)	43	NA
Source: ASSL, Ind-Ra		
*Adjusted inventory is the sum of inventory, trade receivables, unbilled revenue, advances paid to vendor and investment properties less customer advances		

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	22 February 2022	12 January 2021	7 August 2020
Issuer Rating	Long-term	-	IND A/Positive	IND A/Positive	IND A-/Stable	IND A-/Stable
Proposed Term Loan	Long-term	INR3,250	IND A/Positive	IND A/Positive	IND A-/Stable	IND A-/Stable
Proposed NCDs	Long-term	INR750	IND A/Positive	-	-	-

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loans	Low
NCDs	Low

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

Contact

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APPLICABLE CRITERIA

Evaluating Corporate Governance

Corporate Rating Methodology

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