

8th August, 2020

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

Security Code : 539301
Security ID : ARVSMART

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.

Symbol : ARVSMART

Dear Sirs,

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 assigned its rating "**IND A-/Stable**" to our proposed long term loan of Rs. 300/- Crores and affirmed rating "**IND A1**" to our existing short term loan of Rs. 100/- Crores. We are attaching herewith the Rating Letter dated 7th August, 2020 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



Mr. Ankit Jain
CFO
Arvind SmartSpaces Limited
24, Government Servant's Society, Behind Citibank,
C.G. Road, Ahmedabad – 380009

August 07, 2020

Dear Sir/Madam,

Re: Rating Letter for Bank Loan Ratings of Arvind SmartSpaces Limited

India Ratings and Research (Ind-Ra) has assigned Arvind SmartSpaces Limited (ASSL) a Long Term Issuer Rating of 'IND A-'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Size of Issue (million)	Rating	Rating Action
Proposed long-term loan*#	INR3,000	IND A-/Stable	Assigned
Short-term loan	INR1,000	IND A1	Affirmed

*According to in the principal sanction, these facilities will largely be replacing the existing funding lines to finance the construction and development costs of ASSL's residential/commercial projects while keeping some borrowing cushion for the forthcoming projects.

#Unallocated

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 contact the undersigned at +91 22 4000 1700.

Sincerely,

India Ratings



Devendra Pant
Senior Director

Annexure: Facilities Breakup

Instrument Description	Banks Name	Ratings	Sanction Amount (INR million)
Short term loans	IFCI Ltd	IND A1	1000
Proposed long-term loan	NA	IND A-/Stable	3000

Ident

India Ratings Assigns Arvind SmartSpaces 'IND A-'/Stable; Rates Proposed Bank Loans; Affirms Existing Rating

07

AUG 2020

By Karun Tiwari

India Ratings and Research (Ind-Ra) has assigned Arvind SmartSpaces Limited (ASSL) a Long Term Issuer Rating of 'IND A-'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
Proposed long-term loan*#	-	-	-	INR3,000	IND A-/Stable	Assigned
Short-term loan	-	-	-	INR1,000	IND A1	Affirmed

*According to in the principal sanction, these facilities will largely be replacing the existing funding lines to finance the construction and development costs of ASSL's residential/commercial projects while keeping some borrowing cushion for the forthcoming projects.

#Unallocated

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

Comfortable Credit Metrics: ASSL's net leverage (net debt/adjusted inventory) was 0.40x in FY20 (FY19: 0.48x) and sales efficiency (pre-sales/net debt) was unchanged year-on-year at 1.6x. The metrics have been stable over FY16-FY20, aided by strong presales. Ind-Ra expects ASSL to maintain the credit metrics at similar levels over the medium term because of the financial discipline the company has exhibited so far through limited reliance on debt to fund its projects, although presales are likely to be pressured in the near term due to the COVID-19-led economic slowdown and its

consequent impact on household income that might impact housing demand. Nonetheless Ind-Ra expects to see a recovery 3QFY21 onwards. A higher-than-expected fall in presales or a longer-than-expected recovery in the housing demand will remain key credit monitorables.

Moderate Segment as well as Geographical Diversification: ASSL's historical sales have been fairly diversified across segments with mid-segment projects, premium/luxury projects, commercial sales projects and affordable projects constituting 55.4%, 36.3%, 4.1% and 4.2% of the presales, respectively. The unsold inventory remains fairly diversified as well with mid-segment projects, premium/luxury projects, commercial sales projects and affordable projects constituting 57%, 22.1%, 5.6% and 15.3% of the presales, respectively. ASSL has moderate geographical diversification with a fairly even presence in Ahmedabad and Bangalore (by sale value).

Linkages with Strong Promoter: ASSL is part of Lalbhai Group (flagship companies – Arvind Limited and Arvind Fashions Limited) and uses the same brand name as being used by the group for its flagship company. The promoters also infused INR998.7 million in ASSL during FY17-FY18 by subscribing to preference share warrants, which were subsequently converted into common equity. Also, the companies have common director(s) on their boards.

Liquidity Indicator - Adequate: ASSL had cash and cash equivalents of INR55 million at FYE20 (FYE19: INR99 million), along with an undrawn line of credit facilities as well as construction finance debt worth INR913 million. At end-March 2020, ASSL had sold units worth INR6,363.7 million of the ongoing projects, where it received INR3,523 million. This provides collection visibility of INR2,840.7 billion over FY21-FY23. In addition, ASSL has INR1,337 million worth of completed inventory. The entity had repayments of INR1,446 million due in FY21; it has availed the Reserve Bank of India-prescribed moratorium for two of these facilities amounting to INR1,346 million over June-August 2020. The entity has also availed interest moratorium across select debt facilities over April-August 2020. The committed cash flow from the already sold units, along with completed unsold inventory, available cash and cash equivalents and the undrawn credit lines are likely to be sufficient to fund ASSL's near-to-medium-term funding requirements of the ongoing and launched projects (INR7,263 million at end-March 2020) and debt maturities.

The rated proposed facilities will be utilised towards funding the construction and development costs of residential/commercial projects of ASSL, and will eventually replace the existing funding facility. Also, the management plans to keep some borrowing cushion in case any new project opportunities arise. Ind-Ra does not expect ASSL's pre-sales to net debt to deteriorate, and stay below 1x on a sustained basis in the medium term.

Small Scale of Operations with Moderate Delivery Track Record: ASSL has completed seven projects since its inception in 2009 with a total developed area of 4.24 million square feet (sf) and is executing nine projects with a total developable area of 14.71 million sf. Of this, it sold 30.7% at end-March 2020. Of the sold value, the company has, so far, collected 55.3% while incurring costs of 41.1% of the estimated project cost.

ASSL recorded pre-sales of INR2,859 million in FY20 (FY19: INR2,767 million), aided by the launch of three new projects, with collections of INR2,368 million (INR2,130 million). The volatility in the sales and collection numbers is due to ASSL's small scale of operations, and varied timing of new projects launches. Its completed inventory constitutes 17% of the total inventory and is valued at INR1,337 million.

High Project Concentration: SPPL's top three projects contributed 63.3% to the overall pre-sales for FY20 (FY19: 68.5%), with Forrester (Township Project) contributing around 37.5% to these pre-sales. The unsold inventory across these three projects constitutes around 56.9% of the overall inventory market value, although 26.8% of this value is contributed by ASSL's share in Beyond Five Project, which has not seen any progress since ASSL's last rating review. ASSL's affordable housing project Aavishkaar constitutes 15.3% of the unsold inventory, which contributed only INR109.8 million presales in FY20 (3.1% of the overall project inventory).

Moderate Standalone Financial Profile: ASSL reported revenue of INR1,513 million in FY20 (FY19: INR2,338 million), and EBITDA of INR345 million (INR629 million). The company had other income of INR106 million in FY20 (FY19: INR162 million) while its finance cost was INR182 million (INR201 million).

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 the delays in the execution of projects.

RATING SENSITIVITIES

Negative: Higher-than-expected project costs or lower-than-expected sales resulting in an increased reliance on debt, leading to pre-sales to net debt declining below 1x, all on a sustained basis, could result in a negative rating action.

Positive: Successful project and geographical diversification, leading to an increase in the scale of operations and higher-than-expected sales while maintaining the credit metrics, all on a sustained basis, could result in a positive rating action.

COMPANY PROFILE

Headquartered in Ahmedabad, ASSL is the real estate arm of Lalbhai group 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. The company's 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.

FINANCIAL SUMMARY (Consolidated)

Particulars	FY20	FY19
Pre-sales (INR million)	2,859	2,767
Revenue (INR million)	2,995	2,621
EBITDA (INR million)	888	680
EBITDA margin (%)	29.6	25.9
Interest coverage (x)	3.6	3.2
Gross debt (INR million)	2,182	1,710
Cash & equivalents (INR million)	55	99
Net debt (INR million)	2,127	1,611
Adjusted inventory (INR million)	4,801	3,627
Pre-sales/gross debt (x)	1.4	1.6
Pre-sales/net debt (x)	1.4	1.7
Pre-sales/adjusted inventory (x)	64	76
Gross debt/ adjusted inventory (%)	45	47
Net debt/adjusted inventory (%)	44	44
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		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating	
	Rating Type	Rated Limits (million)	Rating	8 July 2020	10 April 2019
Issuer Rating	Long-term	-	IND A-/Stable		
Short-term loan	Short-term	INR1,000.0	IND A1	IND A1	IND A1
Proposed long-term loan*	Long-term	INR3,000.0	IND A-/Stable		

COMPLEXITY LEVEL OF INSTRUMENTS

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

SOLICITATION DISCLOSURES

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ABOUT INDIA RATINGS AND RESEARCH

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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

Corporate Rating Methodology
Short-Term Ratings Criteria for Non-Financial Corporates

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