

13<sup>th</sup> January, 2021

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, 5<sup>th</sup> Floor,  
Plot No. C/1, G. Block,  
Bandra-Kurla Complex,  
Bandra (E),  
Mumbai - 400 051.

**Security Code : 539301**

**Security ID : ARVSMART**

**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 term loan of Rs. 80/- Crores and affirmed rating "**IND A-/Stable**" to our proposed long term loan Rs. 220/- Crores (reduced from Rs. 300/- Crores). We are attaching herewith the Rating Letter dated 12<sup>th</sup> January, 2021 and Rating Action Commentary of IRA for your information.

Kindly take the same on your record.

Thanking You,

Yours Faithfully,

**For Arvind SmartSpaces Limited**



**Ankit Jain**  
Chief Financial Officer



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

January 12, 2021

*Dear Sir/Madam,*

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

India Ratings and Research (Ind-Ra) has taken the following rating actions on Arvind SmartSpaces Limited (ASSL):

Instrument Type	Maturity Date	Size of Issue (million)	Rating	Rating Action
Long-Term Issuer Rating			IND A-/Stable	Affirmed
Term loan	October 2023	INR800	IND A-/Stable	Assigned
Proposed long-term loan*##	-	INR2,200 (reduced from INR3,000)	IND A-/Stable	Affirmed
Short-term loan	-	INR1,000	WD	Withdrawn (paid in full)

\*According to the management, 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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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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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.

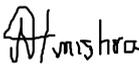
Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

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

  
**Ashoo Mishra**  
Director

  
**Krishan Binani**  
Director

**Annexure: Facilities Breakup**

<b>Instrument Description</b>	<b>Banks Name</b>	<b>Ratings</b>	<b>Sanction Amount (INR million)</b>
Term loan	SBM Bank Mauritius Ltd	IND A-/Stable	500
Proposed long-term loan	NA	IND A-/Stable	2200
Term Loan	Arka Fincap Limited	IND A-/Stable	300



## India Ratings Assigns Arvind SmartSpaces' Term Loans 'IND A-/Stable; Affirms Existing Ratings

# 12

JAN 2021

By Karun Tiwari

India Ratings and Research (Ind-Ra) has taken the following rating actions on Arvind SmartSpaces Limited (ASSL):

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
Long-Term Issuer Rating					IND A-/Stable	Affirmed
Term loan	-	-	October 2023	INR800	IND A-/Stable	Assigned
Proposed long-term loan*#	-	-	-	INR2,200 (reduced from INR3,000)	IND A-/Stable	Affirmed
Short-term loan	-	-	-	INR1,000	WD	Withdrawn (paid in full)

\*According to the management, 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 sales efficiency improved to 1.8x during 1HFY21, aided by the strong presales in 1HFY21, while the adjusted sales efficiency (adjusted presales/net debt) reduced slightly to 1.2x. The metrics have been relatively stable over FY16-1HFY21, 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. The entity demonstrated strong presales in 1HFY21 despite the COVID-19-led disruptions and economic slowdown and its consequent impact on household income affecting housing demand negatively. However, the collections remained weak in 1HFY21. Prolonged weak collections leading to an increased reliance on debt for project constructions 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 INR246 million at end-1HFYE21 (FYE20: INR55 million, FYE19: INR99 million), along with an undrawn line of credit facilities as well as construction finance debt worth INR677 million (FY20: 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. It availed the Reserve Bank of India-prescribed moratorium for part of its debt facilities amounting to INR1,346 million over June-August 2020. The entity also availed interest moratorium across select debt facilities over April-August 2020. The entity repaid INR1,263 million of its debt in 1HFY21 and has to repay only INR75 million in 2HFY21. The committed cash flow from the already sold units, along with the completed unsold inventory, available cash and cash equivalents and the undrawn credit lines are likely to be sufficient to meet ASSL's near-to-medium-term funding requirements for 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 expects ASSL's pre-sales to net debt to stay below 1x over 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, FY18: INR1,121 million, FY17: INR898 million), aided by the launch of three new projects, with collections of INR2,368 million (INR2,130 million, INR1,292 million, INR1,518 million). The volatility in the sales and collection numbers is due to ASSL's small scale of operations, and the varied timing of new projects launches. Its completed inventory constitutes 17% of the total inventory and is valued at INR1,337 million.

ASSL recorded presales of INR1,780 million in 1HFY21, aided by the launch of two new projects, while the adjusted presales (factoring in only ASSL's share in the development management projects) were INR1,243 million, along with the collections of INR762 million.

**High Project Concentration:** ASSL's top three projects contributed 77% to the overall pre-sales for 1HFY21 (FY20: 63.3%, FY19: 68.5%), with Forrester (Township Project) and HighGrove (erstwhile Beyond Five) contributing around 33.5% and 31.6% to these pre-sales, respectively. The entity's unsold inventory is likely to be less concentrated with the entity able to successfully relaunch HighGrove (Erstwhile Beyond Five) in FY21, although the presales across its affordable housing project remain subdued with the entity recording presales for only 19.7% of the area since its launch in FY19.

**Moderate Standalone Financial Profile:** ASSL reported revenue of INR316 million in 1HFY21 (FY20: INR1,513 million, FY19: INR2,338 million), and EBITDA of INR56 million (INR345 million, INR629 million). The company had other income of INR104.9 million in 1HFY21 (FY20: INR106 million, FY19: INR162 million) while its finance cost was INR182 million (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/Outlook	
	Rating Type	Rated Limits (million)	Rating	7 August 2020	10 April 2019
Issuer Rating	Long-term	-	IND A-/Stable	IND A-/Stable	
Short-term loan	Short-term	INR1,000.0	WD	IND A1	IND A1
Term loan	Long-term	INR3,000	IND A-/Stable	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

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[Corporate Rating Methodology](#)

[Short-Term Ratings Criteria for Non-Financial Corporates](#)

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## Analyst Names

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