

23rd February, 2022

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 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Regulations, 2015, we hereby inform you that Indian Ratings and Research ("IRA") has upgraded / assigned / withdrawn the following ratings: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	300 Crores (increased from 220 Crores)	IND A/Positive	Upgraded
2	Proposed term loan	100 Crores	IND A/Positive	Assigned
3	Term loan	80 Crores	Withdrawn	Withdrawn (Paid in full)

We are attaching herewith the Rating Letter dated 22nd February, 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



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

February 22, 2022

Dear Sir/Madam,

Re: Rating Letter for BLR 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 Positive'. The instrument-wise ratings are as follows:

Instrument Type	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	October 2023	INR800	Withdrawn	Withdrawn (paid in full)
Proposed term loan	-	INR3,000 (increased from INR2,200)	IND A/Positive	Upgraded
Proposed term loan	-	INR1,000	IND A/Positive	Assigned

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.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

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



Abhishek Bhattacharya
Senior Director

Annexure: Facilities Breakup

Instrument Description	Banks Name	Ratings	Sanction Amount (INR million)	
Term Loan	SBM Bank Mauritius Ltd	WD	500	
Term Loan	NA	IND A/Positive	4000	
Term Loan	Arka Fincap Limited	WD	300	



India Ratings Upgrades Arvind SmartSpaces to 'IND A'/Positive; Rates Additional Proposed Term Loan

22

FEB 2022

By Vikas Anand

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 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
Term loan	-	-	October 2023	INR800	Withdrawn	Withdrawn (paid in full)
Proposed term loan	-	-	-	INR3,000 (increased from INR2,200)	IND A/Positive	Upgraded
Proposed term loan	-	-	-	INR1,000	IND A/Positive	Assigned

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 linkages among them.

The upgrade reflects an improvement in ASSL's credit metrics during FY21-9MFY22, along with strong operating performance (pre-sales and collection). The upgrade also reflects Ind-Ra's expectation that ASSL's credit metrics will remain comfortable over the medium term through limited reliance on debt to fund its future projects.

The Positive Outlook reflects 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 launching new projects in Pune and Mumbai Metropolitan area over the next two years.

KEY RATING DRIVERS

Improvement in Credit Metrics: On a consolidated basis, ASSL's credit metrics improved significantly during FY21 on account of healthy collections from ongoing and completed projects (9MFY22: INR4,337 million, FY21: INR3,258 million). The presales-to-net debt ratio and net debt-to-working capital ratio improved to 3.15x (FYE20: 1.35x) and 0.51x (0.52x), respectively, by FYE21. Also, 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. The equity capital will be largely used for land acquisition for new upcoming projects. ASSL used a major portion of its operating cash flows for debt prepayment and the construction of ongoing projects during 9MFY22. Consequently, the debt reduced to INR769 million (including INR500 million of optionally convertible debentures (OCDs)) at 9MFYE22 (FYE21: INR2,032 million (including OCDs of INR290 million), making it a net debt-free company. This provides the company sufficient headroom to avail new debt for land acquisition for future projects.

However, as the uncertainty around Covid-19 third wave still continues, any severe impact on housing demand will remain the key credit monitorables.

Improved Sales and Collection: 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. During 9MFY22, the presales stood at INR4,515 million and is likely to exceed INR6,000 million by FYE22. As on 31 December 2021, the balance construction cost (excluding the land share of JV partners) towards ongoing projects was around INR4,520 million, against which it has committed receivables of INR4,870 million from already booked units, which reduces project completion risk to a large extent.

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 had recently infused 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 Ind-Ra expects to be exercised by October 2022. Furthermore, all companies have common director(s) on their boards.

Liquidity Indicator - Adequate: As on 31 December 2021, ASSL has healthy collection visibility of INR4,870 million from already booked units, and estimated unsold inventory of about INR9,669 million. Apart from that, the decline in the company's debt in 9MFY22 provides sufficient headroom to avail additional debt. As on 31 December 2021, ASSL had free cash and cash equivalents of INR1,224 million. The committed cash flow 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 INR26.7 billion for the ongoing and pipelined projects.

Moderately Diversified Projects in Terms of Ticket Size and Geographic Presence: ASSL's historical sales have been fairly diversified across mid-segment and luxury projects, along with a few affordable housing and commercial/industrial projects as well. At present, from the ongoing and pipeline projects, 22% of the projects focus on the luxury segment, 72% on mid segment and 6% on affordable housing. ASSL is primarily focused on residential projects, with operations fairly concentrated in Ahmedabad and Bengaluru. As on 31 December 2021, the company's estimated unsold inventory from ongoing projects was around 88%, 10% and 2% in Ahmedabad, Bengaluru and Pune, respectively. However, the company has recently announced one large project in Pune, and is also looking for new projects in Pune and the Mumbai Metropolitan Region to further diversify its operations.

Small Scale of Operations, with Moderate Delivery Track Record: ASSL has completed 10 projects since its inception in 2009, with a total developed area of 3.8 million square feet (sf) and has 10 ongoing projects with a total developable area of 14.9 million sf, of which about 61% was sold till 31 December 2021. Of the total sales, the company has so far collected about 74% while incurring costs of about 63% of the estimated project cost. The volatility in the sales and collections is due to ASSL's small scale of operations, and the varied timing of new project launches. For the completed projects, only about 5% of the area remains unsold valued at around INR600 million.

High Project Concentration Risk: ASSL's top three projects (except Arvind Forrester, as ASSL is the project manager) contributed 57% to the overall presales in 9MFY22 with Uplands-II, Uplands I and Chirping Woods contributed around 33%, 13% and 11%, 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 Profile: ASSL reported revenue of INR956 million in 9MFY22 (FY21: INR1,493 million, FY20: INR2,995 million) and EBITDA margins of around 28% (27%, 29%). 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 execution of projects.

RATING SENSITIVITIES

Positive: A 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 collection 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.

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 group 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 is under construction and around 6.6 million sf is in pipeline.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY21	FY20
Pre-sales (INR million)	5,293	2,859
Revenue (INR million)	1,493	2,995
EBITDA (INR million)	406	888
EBITDA margin (%)	27	30
Interest coverage (x)	1.51	3.65
Gross debt (INR million)	2,032	2,181
Cash & equivalents (INR million)	351	55
Net debt (INR million)	1,681	2,126

Adjusted inventory (INR million)	3,924	4,814
Pre-sales/gross debt (x)	2.60	1.31
Pre-sales/net debt (x)	3.15	1.35
Pre-sales/adjusted inventory (x)	1.35	0.59
Gross debt/adjusted inventory (%)	52	45
Net debt/adjusted inventory (%)	43	44
Source: ASSL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/ Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	12 January 2021	7 August 2020
Issuer rating	Long-term	-	IND A/Positive	IND A-/Stable	IND A-/Stable
Proposed term loan	Long-term	INR4,000	IND A/Positive	IND A-/Stable	IND A-/Stable

BANK WISE FACILITIES DETAILS

[Click here to see the details](#)

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Term loans	Low

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

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.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency 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.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/rating-definitions). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE WWW.INDIARATINGS.CO.IN. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

[Primary Analyst](#)

Vikas Anand

Senior Analyst

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001700

[Secondary Analyst](#)

Abhishek Shukla

Associate Director

+91 40 67661914

Committee Chairperson

Krishan Binani

Director

+91 22 40356162

Media Relation

Ankur Dahiya

Manager – Corporate Communication

+91 22 40356121
