

Land Kart Builders Private Limited

September 29, 2022

Rating

Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-Convertible Debentures	270.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Total Long-Term Instruments	270.00 (₹ Two Hundred Seventy Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the rating assigned to the instrument of Land Kart Builders Private Limited (LKBPL) derives strength from its strong promoter i.e. Tata Value Homes Limited (TVHL: rated CARE AA; Stable/CARE A1+, a subsidiary of Tata Housing Development Company Limited [THDCL: rated CARE AA; Stable/CARE A1+]) and its strategic importance to TVHL and THDCL by virtue of developing and managing the housing project namely Eureka Park at Sector 150, Noida. The same is reflected through maintenance of ownership, continued strong promoter support towards implementation of plans/policies and financial support demonstrated through regular fund infusion by the parent in the past. This also reflects TVHL's and THDCL's commitment towards supporting the overall business plans carried out by LKBPL. Furthermore, the rating also derives strength from experienced management of the company and favourable location of the project.

The rating, however, tempered by project execution risk with high dependence on customer advances for project funding and exposure to inherent cyclicity of real estate sector.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in credit profile of the ultimate holding company, i.e., THDCL

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the credit risk profile of THDCL and TVHL
- Reduction in direct/indirect shareholding below 51% of Tata Sons Private Limited (TSPL) in THDCL resulting into weakening of linkages between THDCL and TSPL

Detailed description of the key rating drivers

Key rating strengths

Strong Parentage and Tata Group Support

LKBPL is a joint venture between TVHL and Lotus Green Construction Private Limited. TVHL is a 100% subsidiary of THDCL. Strong parentage and demonstrated support are key credit positive. Furthermore, the strong brand image of 'Tata' further provides credibility to LKBPL as a developer which assumes very high significance in the real estate industry and gives a strong edge over the competition. In CARE Ratings' opinion, LKBPL's credit rating continues to reflect the management and financial support received from THDCL.

Experienced Management

All the companies, which are housed under THDCL including LKBPL, are operating in the same line of business, i.e., real estate development and are completely controlled and managed by THDCL. THDCL's management is headed by its Managing Director and Chief Executive Officer, Mr Sanjay Dutt, who has over 25 years of experience in the real estate sector. He is adequately supported by the CFO and other experienced board members.

Favourable project location

The project is on the Noida Expressway and has good connectivity with Delhi. It is also linked through the metro link and will have direct connectivity through the Faridabad-Noida-Ghaziabad expressway. Good location and connectivity, strong development in the area, and the sports-centric positioning of Sector 150 has resulted in satisfactory sales traction of the project. Till March 31, 2022, the company has booked around 54% of the saleable area.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key rating weaknesses

Project execution risks with high dependence on customer advances for project funding

As on March 31, 2022, the company had incurred around 36% of the cost and has sold around 54% of the saleable area. The project execution is largely dependent on the timely receipt of customer advances and with low committed receivables to fund the balance cost and outstanding debt, any delay in receipt of the same may lead to slower project execution.

Inherent risk associated with cyclical nature of real estate industry

The company is exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on the property markets. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and may depress the real estate market.

Liquidity: Strong

As on March 31, 2022, LKBPL's cash and bank balance aggregated to Rs.23.86 crore, against which there is no scheduled repayment for rest of FY23. Furthermore, being part of the Tata group, LKBPL enjoys significant level of financial flexibility. The expected continuous support from the parent would remain crucial for LKBPL.

As on March 31, 2022, THDCL's consolidated cash and bank balance was around Rs.220 crore. Additionally, as on March 31, 2022, the company had consolidated unutilized sanctioned working capital limits amounting to ~Rs.1423 crore.

Analytical approach: Standalone, however, combined cash flows of all the ongoing real estate projects housed under Tata Housing Development Company Limited (including LKBPL) are considered in the analysis.

CARE has factored linkages in the form of continued as well as expected operational, managerial and financial support from parent company i.e. TVHL which holds 51% share in LKBPL. TVHL is a 100% subsidiary of Tata Housing Development Company Limited. Also, the THDCL and its subsidiaries/SPVs have common treasury function which supports the funding requirement of the entities.

Applicable criteria

[Policy on default recognition](#)

[Rating Methodology: Real Estate Sector](#)

[Notching by factoring linkages in ratings](#)

[Financial Ratios: Non-financial sector](#)

[Criteria on assigning 'outlook' or 'credit watch' to credit ratings](#)

[Liquidity analysis of non-financial sector entities](#)

About the company

Incorporated on April 29, 2016, Land Kart Builders Private Limited (LKBPL) was promoted by Lotus Green Construction Private Limited (LGCPL). Later on, February 04, 2019, Tata Value Homes Limited (TVHL, a 100% subsidiary of THDCL) has acquired 51% stake in LKBPL from LGCPL. LKBPL is a joint venture between TVHL and LGCPL. The company is executing a residential project in Noida Sector 150, namely – Eureka Park.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	0.14	1.41	Not Available
PBILDT	-19.04	-28.38	
PAT	-13.76	-36.51	
Overall gearing (times)	NM	NM	
Interest coverage (times)	NM	NM	

A: Audited; NM: Not Meaningful

Note: Financials are classified as per CARE's internal standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4
Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	INE057V07015	14-12-2021	7.45	13-12-2024	270.00	CARE AA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (22-Feb-22) 2)CARE AA; Stable (06-Oct-21)	1)CARE AA; Stable (04-Feb-21) 2)CARE AA; Stable (24-Dec-20)	1)CARE AA; Stable (25-Sep-19)
2	Debentures-Non-Convertible Debentures	LT	270.00	CARE AA; Stable	-	1)CARE AA; Stable (14-Dec-21)	-	-

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Non-financial covenants	
Ownership	<ol style="list-style-type: none"> Tata Group to hold a minimum of 51% (Fifty-One Percent) effective shareholding and have management control of the Parent Tata Value Homes Limited (TVHL) to maintain minimum direct 51% equity shareholding, and management control of the Issuer Tata to be part of the name of TVHL

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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