

Kolkata-One Excelton Private Limited

September 29, 2022

Rating

| Facilities | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------------|--|--|---------------|
| Long Term Bank Facilities | 200.00 | CARE AA; Stable (Double A; Outlook: Stable) | Reaffirmed |
| Total Bank Facilities | 200.00 (₹ Two Hundred Crore Only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the ratings to the bank facilities/Instruments of Kolkata-One Excelton Private Limited (KOEPL) continues to derive strength from its strong partner, i.e., Tata Housing Development Company Limited [THDCL: rated 'CARE AA; Stable/CARE A1+', subsidiary of Tata Sons Private Limited (TSPL)] and its strategic importance to THDCL by virtue of developing and managing the premium housing project at Alipore in Kolkata. 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 THDCL's commitment towards supporting the overall business plans carried out by KOEPL.

The rating, however, continues to be tempered by project execution risk with low committed receivables to finance balance cost and outstanding debt.

Rating sensitivities

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

- Improvement in credit profile of THDCL.

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

- Deterioration in the credit risk profile of THDCL.
- Reduction in direct / indirect shareholding below 51% of 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

KOEPL is a joint venture between THDCL (51% holding) and Keventer Projects Limited (49% holding). THDCL is held by TSPL with direct holding of ~57% and ~43% through its wholly owned subsidiary Tata Realty & Infrastructure Limited (TRIL: rated 'CARE A1+'). Strong parentage and demonstrated support are key credit positives. Furthermore, the strong brand image of 'Tata' further provides credibility to KOEPL 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, KOEPL's credit ratings continue to reflect established track record in managing housing segment and is aided by the management and financial support received from THDCL owing to its strategic importance to the group's overall real estate business plans.

Experienced management

All the companies, which are housed under THDCL including KOEPL, are operating in the same line of business, i.e., real estate 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.

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 dependence on customer advances for project funding

As on March 31, 2022, the company has incurred around 54% of the cost and has sold around 42% 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 or sluggish sales amidst the uncertain economic environment may lead to slower project execution. However, comfort is drawn on the past track record of the group in execution of such projects along with financial support from the parent that would be requisite to fund the project cost.

Inherent Cyclical nature of the industry

The company is exposed to the cyclical nature 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 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, KOEPL's cash and bank balance aggregated to Rs.10.45 crore. As against the current liquidity, the company has repayment of around Rs.29 crore for the rest of FY23. Being part of the Tata group, KOEPL enjoys significant level of financial flexibility. The expected continuous support from the parent would remain crucial for KOEPL.

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 KOEPL) 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. THDCL which holds 51% share in KOEPL. THDCL and its subsidiaries/SPVs have common treasury function which supports the funding requirement of the entities.

Applicable criteria

[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

Kolkata-One Excelton Private Limited is a subsidiary of Tata Housing Development Company Limited owning 51% and Keventer Projects Limited (KPL) of the Keventer group owning 49% in the company. KOEPL is a special purpose vehicle for executing Alipore Project in Kolkata which is being jointly developed by THDCL and KPL.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | Q1FY23 |
|-----------------------------------|---------------------------|---------------------------|---------------|
| Total operating income | 0.01 | 0.01 | Not Available |
| PBILDT | -7.43 | -13.63 | |
| PAT | -5.18 | -10.25 | |
| 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 |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Working Capital Limits | - | - | - | March 2024 | 200.00 | 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-Working Capital Limits | LT | 200.00 | CARE AA; Stable | - | 1)CARE AA; Stable (06-Oct-21) | 1)CARE AA; Stable (30-Sep-20) | 1)CARE AA; Stable (27-Sep-19) 2)CARE AA; Stable (23-May-19) |

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable
Annexure-4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Working Capital Limits | 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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About us:

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