

Ardent Properties Private Limited

September 29, 2022

Ratings

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	70.00	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	70.00 (₹ Seventy Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of the ratings to the bank facilities of Ardent Properties Private Limited (APPL) continues to derive strength from its strong partner i.e. Tata Housing Development Company Limited [THDCL: rated 'CARE AA; Stable/CARE A1+'] and its strategic importance to THDCL by virtue of developing and managing the housing project namely Serein in Mumbai. This also reflects THDCL's commitment towards supporting the overall business plans carried out by APPL. Furthermore, the rating also derives strength from experienced management of the company and favourable location of the project.

The ratings, however, continue to be tempered by project execution risk with dependency on receivables to finance balance cost and outstanding debt and exposure to inherent cyclical nature of real estate sector.

Rating sensitivities

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

- Improvement in the credit profile of THDCL

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

- Deterioration in the credit profile of THDCL
- 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

APPL is a wholly-owned subsidiary of THDCL which in turn is a subsidiary of TSPL. TSPL is the principal holding company of the TATA group. By virtue of being the holding company of the Tata group, the financial flexibility stems from the company's ability to raise funds or by sale of its investments, mainly shares in Tata group companies. Strong parentage and demonstrated support are key credit positives. In CARE Ratings' opinion, APPL's credit ratings continue to reflect the management and financial support received from THDCL

Experienced management

All the companies, which are housed under THDCL including APPL, are operating in the same line of business, i.e., real estate and are completely controlled and managed by THDCL. THDCL 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 located at Pokharan Road in Thane, a satellite city within MMR. Thane's improving connectivity and proximity to nearby commercial areas like Airoli as well as Powai make it an attractive residential option within MMR. The project is also close to retail establishments like Viviana Mall, Korum Mall, Big Bazaar and D-Mart among others. The upcoming metro line will also provide improved connectivity. The project also overlooks the lush green landscape as it is close to the Sanjay Gandhi National Park.

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

Key rating weaknesses

Project execution risk

As on March 31, 2022, the company has incurred 72% of the cost and has sold around 60% of the saleable area. However, the company is yet to launch 1 tower and has applied for the Occupancy Certificate (OC) for completed 3 towers. Further, there is no outstanding debt as on July 31, 2022. Timely completion of launched towers along with absence of any repayment obligation mitigates the project risk to a large extent.

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, APPL's cash and bank balance aggregated to Rs.143.12 crore. Further, the company does not have any scheduled repayment for the rest of FY23. Further, being part of Tata group, APPL enjoys significant financial flexibility. As on March 31, 2022, on a consolidated level, THDCL's cash and bank balance was around Rs.220 crore. Additionally, as on March 31, 2022, the consolidated unutilized sanctioned working capital limits was around Rs.1423 crore.

Analytical approach: Standalone, however, combined cash flow of all the projects housed under Tata Housing Development Company Limited is considered for 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. THDCL holds 100% shareholding in APPL. 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](#)

[Criteria for short-term instruments](#)

About the company

Ardent Properties Private Limited is a wholly owned subsidiary and a special purpose vehicle of THDCL formed with purpose of undertaking housing project in Thane, Maharashtra. The project has total saleable area of 9.09 lsf.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	1.61	5.62	Not Available
PBILDT	-8.44	-22.45	
PAT	-8.30	97.89	
Overall gearing (times)	2.17	1.60	
Interest coverage (times)	NM	NM	

A: Audited; NM: Not meaningful

Note: Financials has been 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 - ST-Working Capital Limits	-	-	-	-	70.00	CARE A1+

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 (06-Oct-21)	1)CARE AA; Stable (04-Feb-21) 2)CARE AA; Stable (30-Sep-20)	1)CARE AA; Stable (27-Sep-19)
2	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (06-Oct-21)	1)CARE AA; Stable (04-Feb-21) 2)CARE AA; Stable (30-Sep-20)	1)CARE AA; Stable (27-Sep-19)
3	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (04-Feb-21) 2)CARE AA; Stable (30-Sep-20)	1)CARE AA; Stable (27-Sep-19)
4	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (02-Sep-22)	1)CARE AA; Stable (09-Jun-21)	-	-
5	Fund-based - ST-Working Capital Limits	ST	70.00	CARE A1+	-	1)CARE A1+ (06-Oct-21) 2)CARE A1+ (09-Jun-21)	-	-

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 - ST-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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