

Mr. Neeraj Gautam
 Executive Vice President
 T-Hills Private Limited
 #130/1, Ulsoor Road,
 Bengaluru, Karnataka - 560 042

November 24, 2022

Dear Sir/Madam,

Re: Rating Letter of Provident Cedar Pvt Ltd

India Ratings and Research (Ind-Ra) has rated Provident Cedar Private Limited (PCPL) debt instruments as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-convertible debentures (NCDs)	INE0NF908013	October 2022	Zero coupon	April 2028	INR600	IND BBB+/Stable	Assigned
Unsupported rating	-	-	-	-	-	IND BB/Stable	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.

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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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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



A Fitch Group Company

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India Ratings Assigns Provident Cedar's NCDs 'IND BBB+/Stable'

Nov 24, 2022 | Real Estate

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Analytical Approach: Ind-Ra has factored into the ratings the strong parentage of PCPL and its group company Provident Meryta Private Limited (PMPL) with their ultimate parent Puravankara Limited (PL; 'IND A-/Positive'). Ind-Ra takes a top-down rating approach under its Parent- Subsidiary Linkage Criteria to rate PCPL, a special purpose vehicle (SPV), and has linked its rating as well as Outlook to those of PL due to the strong strategic and operational ties and strong to moderate legal ties between them. Ind-Ra takes a consolidated approach of PL and all its subsidiaries while arriving at PL's ratings.

The unsupported rating factors in the project being in the initial stages of execution, pending approvals and sales risk associated with the project. However, Ind-Ra believes the execution risk is minimal since as this is a plotted development. Also, the company would operate under the Provident brand and its parents are an established player in the real estate industry. Furthermore, the NCDs are zero coupon and there is no fixed repayment schedule for them.

Key Rating Drivers

Strong Ties with Financially Robust Parent: PCPL is a 100% subsidiary of Provident Housing Limited, which is a 100% subsidiary of PL. PCPL is an SPV and operates under the Provident brand which is the premium affordable segment of PL. Both PCPL and PMPL issued NCDs of INR600 million each in October 2022 which were subscribed by the Purva Real Estate Fund (the fund). The proceeds from the NCDs were utilised for the acquisition of a land parcel of 51.6 acres located in Guduvancherry, Chennai. The acquired land parcel would be developed as a plotted project by both PCPL and PMPL and would be sold in various units. PL plans to focus on the Provident brand for growth in the low-risk plotted projects and the SPV's business plan is a major step in that direction. The agency believes the success of both SPVs is a key strategic priority for PL. This suggests there are strong strategic and operational ties between PCPL and PL, which has provided an unconditional and irrevocable corporate guarantee to the fund. Additionally, it has guaranteed a minimum internal rate of return (IRR) of 12% to the fund on investment amounts.

PL has completed 77 projects over the past four decades with a total floor space of 43.65 million square feet (sf) across both its brands - Provident and Puravankara - in major cities of south and west India. Provident, as a brand, has been in existence for over 13 years now, and is well established. PL is among the top 10 players in most of the cities it operates in and has a strong presence in Bangalore, where PCPL intends to operate. The association with PL and the ability to use the brand Provident help PCPL and PMPL benefit from the former's strong brand image, experience and project execution capabilities. Furthermore, PL has an experience in executing such plotted development projects. They have done a similar project in Bengaluru through its another SPV; T-Hills Private Limited ('IND BBB/Stable').

Emerging Project Location: The proposed project is located within 8km of National Highway 32 and is in proximity to Maraimalai Nagar SIDCO (a prominent industrial hub of Chennai). Also, the subject property is close to several educational institutions and has presence of large vacant land parcels. The availability of large land parcels at competitive prices has resulted in high residential development in the past seven-to-eight years.

Liquidity Indicator - Adequate: The NCDs have neither a fixed coupon nor a fixed principal repayment schedule. PL has guaranteed a minimum 12% IRR to the fund after five years and six months from the date of the allotment of the NCDs. The proceeds from sale of the land parcels would be distributed in the ratio of 52:48 between the fund and PL. The 52% entitled to the fund would be from gross sale proceeds and would be used towards debenture redemption and paying of premium. Ind-Ra believes the rest 48% allocated to PL would be sufficient to meet the cash requirement for the construction. In case there is any shortfall, PL would make good of these obligations.

Geographic Concentration and New Project Risk: PCPL's standalone credit profile is constrained by its proposed project being based out of a single location. In addition, the standalone business faces risks common to all new real estate ventures such as those relating to customer reception, project execution and construction. However, Ind-Ra believes the experienced promoters are likely to help PCPL sail through without any difficulties.

Project Execution Risk: The SPV has not yet obtained most of the approvals required to launch the project. As a result, the standalone business faces risks related to the receipt of timely approvals apart from other project execution risks.

Small Standalone Size and Scale: At FYE22, the SPV had a negligible shareholder equity of INR940 million and total asset of INR0.07 million. Total debt was INR0.05 million which was from related parties.

Rating Sensitivities

Negative: A weakening of the linkages between PL and the SPV or the dissolution of the corporate guarantee from PL to the debenture holder could result in a rating downgrade.

For Unsupported Rating:

Positive: An improvement in the business and financial risk profile and the timely receipt of approvals for the project could lead to a positive rating action.

Negative: Delays in receiving approval for the project or lower-than-expected sales or selling price could lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on PCPL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please [click here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

Company Profile

PCPL is 100% owned by Provident Housing Limited which is a 100% subsidiary of PL. Both PMPL and PCPL are undertaking a plotted development project which is located at Guduvanchery, Chennai. The land parcel has already been acquired. The total saleable area of the project would be 1,348,618 sf.

FINANCIAL SUMMARY

The financial summary is not relevant as the SPV is in the initial stages of starting its operations.

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.

Annexure

Covenants:

The issuer is subject to following covenants:

Security creation (wherever applicable): In case of a delay in listing of the debentures beyond four trading days from the issue closing date, at the rate of 1% per annum over and above the XIRR, payable on the debenture secured obligations for the delayed period i.e., from the deemed date of allotment till the date of listing of the debentures

Delay in listing: In case of delays in listing beyond four trading days from the deemed date of allotment, the issuer is required to pay default interest as applicable, from the deemed date of allotment till the date of listing of the debentures.

- **Minimum guaranteed return of 12%:** In the event the issuer is unable to provide the agreed 12% IRR after the expiry of five years and six months from the closing date, the debenture trustee shall have the right to liquidate the project, in any manner the debenture trustee deems fit.

Structured Payment Mechanism

Trigger Date	Action Point
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T	<p>(a) The issuer and the sponsor shall ensure that the entire sale proceeds / income arising from sale of the units of project are deposited into an escrow account which are to be opened by the issuer.</p> <p>(b) The issuer shall open and operate various bank accounts, including the separate designated bank account, as contemplated under RERA Act or as is required in relation to the project, as are more particularly enlisted herein.</p> <p>(c) Furthermore, the issuer shall open a separate sub-account in which the debenture holders' revenue share shall stand transferred on a daily basis (debenture holders' entitlement account). The money's lying to the credit of the debenture holders' entitlement account shall be utilised for the sole purpose of discharging the debenture secured obligations.</p>
T+9	The debenture trustee pursuant to the Securities and Exchange Board of India Operational Framework Circular shall intimate the recognised stock exchange and the depository participants about the status of the redemption within nine working days of the maturity/redemption date of the debentures.
Five years and six months from date of investment amount in subsidiaries of guarantor	The guarantor has guaranteed the fund a minimum 12% IRR at the end of redemption period.

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low
CP	Low

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

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