June 27, 2022

Prestige Exora Business Parks Limited: Rating assigned for Rs 250 crore term loan; withdrawn for Rs 1,200 crore term loan

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Term Loan	1200.0	-	[ICRA]A- (Stable) withdrawn
Long term – Term Loan	-	250.0	[ICRA]A+ (CE) (Stable) assigned
Total	**1200.0**	**250.0**	

Rating Without Explicit Credit Enhancement	[ICRA]BBB+

**Instrument details are provided in Annexure-1*

Rationale

ICRA has withdrawn the rating assigned to Rs 1,200 crore term loan of Prestige Exora Business Parks Limited (PEBPL) as the said facility has been demerged from the company through a scheme of arrangement approved by the NCLT. In March 2021, The Blackstone Group acquired the business undertaking of "Exora Business Park", including the Rs 1,200 crore term loan, from PEBPL and subsequently filed a scheme of arrangement to transfer the undertaking to another company. With the receipt of all necessary approvals, the business undertaking now stands vested in Pluto Cessna Business Parks Private Limited. Hence ICRA has withdrawn the rating assigned to the facility under PEBPL in line with its withdrawal policy.

PEBPL has availed a new term loan of Rs 250 crore to part fund the Prestige Alpha Tech project under construction in Kharadi Pune. The rating assigned to this facility is based on the strength of the corporate guarantee provided by Prestige Estates Projects Limited (PEPL/the guarantor, rated [ICRA]A+ (Stable)), the parent of PEBPL, for the rated term loan programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

Adequacy of credit enhancement

ICRA's rating for the Rs 250 crore term loan notes the corporate guarantee provided by PEPL for this facility. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument. Given these attributes, the guarantee provided by PEPL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]A+(CE) against the rating of [ICRA]BBB+ without explicit credit enhancement. In case the rating of the guarantor was to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

Salient covenants of the rated facility

» Security cover of 1.5 times the outstanding amount, in the form of project/property during the entire loan tenure.
» Unconditional and irrevocable corporate guarantee from Prestige Estate Projects Limited for the entire loan amount along with a non-disposal undertaking

Key rating drivers and their description

Credit strengths

Corporate guarantee provided by PEPL towards the rated bank facility – The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by PEPL. The rated instrument does not involve a structured payment mechanism.

Established track record of Prestige Group in real estate and hospitality sectors – The Prestige Group has over 34 years of experience in real estate development and is one of the leading real estate developers in South India. It has developed a diversified portfolio of real estate projects, which include residential, commercial, hospitality and retail segments. Till September 2021, the Group had completed development of 255 projects, spanning 144 mn sqft of the total developed area.

Favourable location of the property – Prestige Alphatech is located in Kharadi, Pune. It is an established area for commercial office property and is well connected to other parts of the city. The project has a total leasable area of 0.83 million square feet (mn sqft).

Credit challenges

High execution and market risk - The project was launched in May 2019 and its construction is expected to be concluded by May 2023. Given the stage of the project as on date with absence of any pre-lease tie-ups, the company is exposed to significant execution and market risks.

Exposure to refinancing risk - Any delay in construction or lower than expected leasing could adversely impact the company's cash flow position and its ability to refinance the construction loan. The refinancing risk is mitigated to an extent with the long tenure of the loan and the healthy rental potential of the asset in relation to the debt availed.

Liquidity position: Adequate

At the guarantor level, PEPL's liquidity profile is adequate supported by cash balances of around Rs. 775 crore as on September 30, 2021 and adequate cash flow from operations. The company has Rs 1,113 crore of scheduled debt repayment at group level in FY2022. The company will be reliant on refinancing to the extent of the construction loans availed for the commercial real estate segment. The repayment of the LRD loans and residential project loans are expected to be adequately covered by the associated operational cash flows. The company is also likely to avail construction finance to part-fund the large capex outlay for upcoming projects.

On a standalone basis, PEBPL's liquidity profile is adequate, supported by funding support from its parent and external debt financial closure, despite the initial stage of development of the project and limited visibility on operational cash flows.

Rating sensitivities

Positive factors – The rating of PEBPL might be upgraded if there is any improvement in the credit profile of the guarantor, PEPL.

Negative factors – The ratings could be downgraded in case of any deterioration in the credit profile of the guarantor, PEPL. Any changes in the business linkages or strategic importance of the company towards the guarantor could also put pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate credit rating methodology Policy on Withdrawal of credit ratings Rating Methodology for Debt Backed by Lease Rentals Approach for rating debt instruments backed by third party explicit support
Parent/Group Support	The rating assigned to PEBPL factors in the high likelihood of its parent, PEPL; rated [ICRA]A+(Stable), extending financial support to it because of close business linkages between them. Moreover, PEPL has provided corporate guarantee to the borrowing programme of PEBPL. Link to the last rating rationale of the guarantor
Consolidation/Standalone	ICRA has evaluated the standalone operational and financial profile of PEBPL. In addition, the rating derives strength from the corporate guarantee provided by PEPL for the borrowings of PEBPL.

About the firm

Prestige Exora Business Parks Limited (PEBPL) is 100% subsidiary of PEPL (Prestige Estates Projects Limited; flagship company of Prestige Group). Prestige Group had entered into an investment agreement with The Blackstone Group during March 2021 for sale of the business undertaking of "Exora Business Parks", a 2.1 million square feet office park. As part of the agreement, the said asset was demerged from PEBPL and moved to new entity owned by The Blackstone Group, 'Pluto Cessna Business Parks Private Limited'. The demerger process is now complete and PEBPL is currently developing two new properties, Prestige Summit and Prestige Alphatech.

Key financial indicators

PEBPL	Audited	Audited
	FY2021	FY2022
Operating Income (Rs. crore)	168.2	19.9
PAT (Rs. crore)	341.6	65.4
OPBDIT/OI (%)	83.2%	-11.5%
PAT/OI (%)	203.1%	328.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.3
Total Debt/OPBDIT (times)	NM	NM
Interest Coverage (times)	1.4	NM

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, NM: Not meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021			Date & Rating in FY2020
					June 27, 2022	Dec 17, 2021	Mar 08, 2021	May 12, 2020	May 08, 2020	June 13,2019
1	Term Loans	Long-term	1,200.00	1,133.60	**[ICRA]A- (Stable) Withdrawn**	**[ICRA]A- (Stable) assigned. [ICRA]A+ (CE)& withdrawn**	**[ICRA]A+ (CE)&**	**[ICRA]A+(CE) (Stable)**	**[ICRA]A+(CE) (Stable)**	**[ICRA]A+(SO) (Stable)**
2	Term Loans	Long-term	250.00	50.00	**[ICRA]A+ (CE) (Stable) Assigned**	-	-	-	-	-

&Placed under rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan - I	June 22, 2021	NA	Dec 31, 2025	250.00	[ICRA]A+(CE) (Stable)

Source: *Firm*

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure-2: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Rajeshwar Burla
+91 40 40676527
rajeshwar.burla@icraindia.com

Mathew Kurian Eranat
+91 80 43326415
mathew.eranat@icraindia.com

Ritika Periwal
+91 80 4332 6415
ritika.mundhra@icraindia.com

Sarthak Bhauwala
+91 80 4332 6404
sarthak.bhauwala@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6169 3300
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches