

September 23, 2024

Turf Estate Joint Venture LLP: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based - Term loan	1500.00	[ICRA]A+ (CE) (Stable); rating assigned
Total	1500.00	

Rating Without Explicit Credit Enhancement

[ICRA]BBB+

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The rating of [ICRA]A+ (CE) assigned for the long-term fund-based limits of Turf Estate Joint Venture LLP (TEJV) is based on the strength of an unconditional and irrevocable corporate guarantee provided by Prestige Estates Projects Limited (PEPL), rated at [ICRA]A+(Stable)/ [ICRA]A1, the ultimate holding company of TEJV. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

Adequacy of credit enhancement

The rating of the instrument is based on the credit substitution approach, whereby the rating of the guarantor has been translated to the rating of the said instrument. The corporate guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined invocation and pre-default payment mechanism. Given these attributes, the guarantee provided by PEPL results 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 were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well.

The rating considers the Prestige Group's established operational track record in the real estate industry and its strong project execution capabilities. TEJV is developing a commercial project of Grade-A office space, known as 'The Prestige, Mumbai', with a potential gross leasable area of ~3 million square feet (msf). The rating derives comfort from the favourable location of the project at Mahalakshmi, Mumbai, which enhances its marketability and is expected to translate into adequate pre-leasing tie-ups till its completion.

The rating is, however, constrained by the company's exposure to execution and market risks. As of June 2024, the company is yet to incur 71% of the total project cost (excluding land) for its ongoing commercial project, exposing it to residual execution risk. Further, no leasing tie-ups were in place, exposing it to significant market risk. Nonetheless, the favourable location of the project and the Prestige Group's established track record in project execution and leasing of commercial real estate projects mitigate these risks to an extent. Any significant delays in achieving leasing tie-ups for the ongoing commercial project, could adversely impact its ability to refinance the construction finance (CF) loan availed for this project. Nevertheless, it has sufficient time to achieve adequate leasing tie-ups for refinancing the bullet repayment for the CF loan falling due in September 2029.

Salient covenants of the rated facility

The debt/equity ratio shall not exceed 0.36:1 times during the entire tenure of the loan

Fixed asset coverage ratio (FACR) should not be less than 2 times of outstanding loan amount

Key rating drivers and their description

Credit strengths

Corporate guarantee from PEPL – The rated instrument is backed by a corporate guarantee from PEPL. The guarantee is legally enforceable, irrevocable, unconditional, and covers the entire amount as well as the tenor of the rated instrument and has a well-defined invocation and pre-default payment mechanism.

Strong promotor group with established track record lends financial flexibility – The Prestige Group has over 38 years of experience in the real estate development and is one of the leading real estate developers in South India. It has completed around 300 real estate projects, with a developable area of ~180 msf as of June 2024. It has developed a diversified portfolio of real estate projects focusing on residential, commercial, hospitality and retail segments. Prestige offers a variety of services such as property management services, sub-leasing and fit-out services. It has 53 ongoing projects across segments, with a total developable area of ~90 msf as of June 2024.

Favourable location of project – The commercial project, 'The Prestige, Mumbai' is located in Mahalakshmi, Mumbai. It is an established area for commercial office property and is well connected to other parts of the city. The favourable location of the project is expected to translate into adequate pre-leasing status by the scheduled completion.

Credit challenges

Exposure to execution and market risk – As of June 2024, the company is yet to incur 71% of the total project cost (excluding land) for its ongoing commercial project covering a total leasable area of ~3 msf, exposing it to residual execution risk. Further, no leasing tie-ups were in place, exposing it to significant market risk. Nonetheless, the favourable location of the project, current construction progress and the Prestige Group's established track record in leasing commercial real estate projects mitigate the market risk to an extent.

Exposure to refinancing risk – Any significant delays in achieving leasing tie-ups for the ongoing commercial project, could adversely impact the company's cash flow position and its ability to refinance the construction loan availed for this project. Nonetheless, it has sufficient time to achieve adequate leasing tie-ups for refinancing the bullet repayment for the CF loan falling due in September 2029.

Liquidity position

For the rated Entity (TEJV): Adequate

On a standalone basis, TEJV's liquidity profile is adequate. The remaining project cost of ~Rs. 3,585 crore for the ongoing commercial project is expected to be met from ~Rs. 1,125 crore of undrawn CF loan and the remaining from promoter infusion.

For the guarantor (PEPL): Adequate

PEPL's liquidity profile is adequate, supported by cash balances and liquid investments of around ~Rs. 3,288.30 crore as on March 31, 2024. The company is likely to maintain cash balances of Rs. 1,000-1,500 crore, going forward. It has a consolidated principal repayment of Rs. 2,354.0 crore in FY2025, which can be serviced comfortably from the cash flow from operations.

Rating sensitivities

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

Negative factors – The rating could be downgraded in case of any deterioration in the credit profile of the guarantor, PEPL.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating approach - Lease rental discounting (LRD)
Parent/Group Support	Parent Company: Prestige Estates Projects Limited (PEPL) ICRA expects the ultimate parent PEPL; rated [ICRA] A+(Stable)/ [ICRA] A1, to provide timely financial support to the company for funding any shortfall given their close financial linkages, the company's strategic importance for the parent and the parent's reputation sensitivity to default. Moreover, PEPL has provided an irrevocable, unconditional corporate guarantee to the rated bank facility of TEJV.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

Turf Estate Joint Venture LLP (TEJV) is a limited liability partnership firm incorporated on July 8, 2019. TEJV was initially solely owned by Valor Estates Limited (formerly known as DB Realty Limited). On March 24, 2021, Prestige Falcon Realty Ventures Pvt Ltd (a wholly-owned subsidiary of Prestige Group) became a 50% partner in TEJV. Thereafter, on August 29, 2023, Prestige Falcon Realty Ventures Pvt Ltd acquired ~49 percent (cumulating to ~99%) and Prestige Estates Projects Limited acquired ~1 percent partnership interest from Valor Estates Limited in TEJV for a consideration of Rs. 197.79 crore. TEJV now operates as a subsidiary of Prestige Falcon Realty Ventures Pvt Ltd, with Prestige Estates Projects Limited as its ultimate holding company. TEJV is developing a commercial project of Grade-A office space, known as 'The Prestige, Mumbai', with a potential gross leasable area of ~3 msf in Mahalakshmi, Mumbai. The project is likely to be completed by September 2028.

Key financial indicators: Not applicable being a project company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	September 23, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	1500.00	[ICRA]A+ (CE) (Stable)	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based – 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 analyzing 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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	September 2023	NA	September 2029	1500.00	[ICRA]A+ (CE) (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Rajeshwar Burla

+91 40 6939 6443

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 6939 6427

anupama.reddy@icraindia.com

Pulkit K Varshney

+91 80 4332 6427

pulkit.varshney@icraindia.com

Riddham Agarwal

+91 80 4332 6405

riddham.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

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

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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