

March 25, 2022

Pandora Projects Pvt Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – NCD	525	525	[ICRA]A+(CE)(Stable); reaffirmed
Total	525	525	
Rating without Explicit Credit Enhancement			[ICRA]BBB-

*Instrument details are provided in Annexure-1

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 above rating is based on the strength of the corporate guarantee provided by Prestige Estates Projects Limited (PEPL/the guarantor, rated [ICRA]A+ (Stable)), one of the sponsors of Pandora Project Pvt Ltd (Pandora), for the rated NCD programme. 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 guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined invocation and payment mechanism. 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

- » *Until the entire debentures outstanding are redeemed in full, the Company and the Co-Borrower, shall not, without prior written consent of the Debenture Holders, enter into any borrowing arrangements, either secured or unsecured, with any other bank or financial institutions, nor undertake guarantee obligations*
- » *The Company and the Co-Borrower shall, at all times pursuant to creation of security/mortgage on the project property, ensure that the value of the security remains at least 1.5x of the debentures outstanding at any point of time*

Key rating drivers and their description

Credit strengths

Corporate guarantee from Prestige Estates Projects Limited – The NCDs are backed by corporate guarantee from Prestige Estates Projects Limited (PEPL). PEPL is among the leading real estate developers in the country with diversified real estate operations spanning residential, commercial and hospitality developments apart from property management services. PEPL is rated [ICRA]A+ with stable outlook. PEPL holds 50% economic interest in the project being developed by Pandora and the co-borrower for the NCDs. The guarantee also has Trustee monitored payment mechanism designed to ensure that all payments under the NCDs are fully covered by the guarantee from Pandora. Proceeds from the Pandora, if required, would be available on or before the due date of payment on the NCDs.

Attractive project location – The proposed project is located in Mahalakshmi, Mumbai, and involves development of leasable area of 1.7 million sq ft of office space (of which 50% share will be attributable to PEPL). The attractive project location and the track record PEPL in commercial real estate development is expected to support the project viability and return metrics.

Credit challenges

High execution risk with project at nascent stages of development– The company has completed the pre-construction steps including securing clear land title and all other regulatory approvals for commencement of construction. However, the project is still exposed to construction risk as it is in the nascent stages of development and is exposed to funding and market risks.

Liquidity position

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. Moreover, the proceeds from the second tranche of sale proceeds will be used to support investments in upcoming projects

On a standalone basis, Pandora’s liquidity profile is **stretched** due to the initial stage of development of the project and limited visibility on operational cash flows. Pandora will remain dependent on funding support from its parents apart from construction finance limits / customer advances from sale of space in the project.

Rating sensitivities

Positive factors – Rating might be upgraded if there is any improvement in credit profit of the guarantor, PEPL.

Negative factors – Rating might be downgraded if there is any deterioration in credit profit of the guarantor, PEPL.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating approach - lease rental discounting (LRD) Rating Approach - Explicit third-party support
Parent/Group Support	The rating assigned 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. PEPL has provided corporate guarantee to the proposed borrowing programme. Click here for guarantor's PR
Consolidation/Standalone	Consolidated: Pandora Projects Private Limited with Turf Estate Joint Venture LLP (Turf). Turf is again a JV between Prestige Falcon Realty Ventures Private Limited (subsidiary of PEPL) and DB Realty Limited. The funds for the projects are raised in Pandora, whereas the development rights for the project are held by Turf.

About the company

Pandora Projects Pvt Ltd (Pandora, the company), is a private limited company which was incorporated in 2014. Pandora did not have any material business operations or assets till FY2020. During FY2021, the company became a joint venture between

Prestige Estates Projects Limited (PEPL) and D B Realty Limited (DBRL). The company, along with another entity called Turf Estate Joint Venture LLP (co-borrower for proposed NCD) is developing a commercial real estate project in Mahalakshmi, Mumbai.

About the guarantor

PEPL is the flagship company of the Prestige Group. It started operations as Prestige Estates and Properties, a partnership firm, in 1986 and subsequently converted into a private limited company in 1997 and into a public company in 2009. The company is promoted by Mr Irfan Razack and his brothers, who together hold 65.5% of the shares. Prestige has over 34 years of experience in real estate development and is one of the leading real estate developers in South India. It has completed 249 real estate projects, with a developable area of close to 135 mn sqft. It has developed a diversified portfolio of real estate projects focusing on the residential, commercial, hospitality and retail segments.

Key financial indicators (audited) – Consolidated

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	-	3.9
PAT (Rs. crore)	n.m.	46.1
OPBDIT/OI (%)	n.m.	-11.5%
PAT/OI (%)	n.m.	n.m
Total Outside Liabilities/Tangible Net Worth (times)	n.m.	3.8
Total Debt/OPBDIT (times)	n.m.	0.9
Interest Coverage (times)	n.m.	n.m

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2022)			Chronology of Rating History			
			Amount Rated (Rs. crore)	Amount Outstanding # (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020	Date & Rating in FY2019
						March 25, 2022	Mar 26, 2021		
1	NCD	Long Term	525	525	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	Provisional [ICRA]A+(CE) (Stable)	-	-

as on date;

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Very 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
INEOGVT07010	NCD	-	16.54%	5 years	525	[ICRA]A+(CE)(Stable)

Source: the company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Pandora Projects Private Limited	-	Full Consolidation
Turf Estate Joint Venture LLP	Co-borrower with common shareholders	Full Consolidation

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