

July 12, 2023

## Spero Properties and Services Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCD)	500.00*	500.00	[ICRA]BBB-(Stable); reaffirmed
<b>Total</b>	<b>500.00</b>	<b>500.00</b>	

\*Instrument details are provided in Annexure I; includes Rs 5.00 crore of unissued amount

### Rationale

The rating reaffirmation for Spero Properties and Services Private Limited (SPSPL) continues to factor in the strong sponsor profile, i.e., entities owned or managed by The Blackstone Group Inc. (sponsor), which holds 100% stake in SPSPL through its affiliates. The rating favourably considers the strong track record of the company's sponsor in developing and operating commercial real estate assets in India, and the high financial flexibility available to SPSPL, being a part of the sponsor group. The rating also factors in the favourable location of SPSPL's proposed project. The company has the rights for development on a land parcel at Worli, Mumbai. Once the project development plan is finalised, it also plans to avail a construction finance loan for part funding the project cost. SPSPL's credit profile will be susceptible to the funding mix for the project. However, ICRA expects the sponsor to provide funding support to SPSPL in the event of any cash flow requirement.

The rating is, however, constrained by SPSPL's exposure to implementation risk with the project being at the planning stage. The nascent stage of the project also exposes the company to approval risk. The initial project cost pertaining to land was funded by the sponsor group and the construction cost is expected to be funded through a construction loan. With the debt tie up pending, the company is exposed to funding risk. Any further delay in project commencement could adversely impact the company's cash flow visibility and hence, is a key rating monitorable. The interest on the NCD will accrue every year beginning April 01, 2024, payable annually on March 31st of every financial year with first such payment falling due on March 31, 2025. Since the payment will be made subject to surplus cash flow availability with the company after meeting operating expenses, any instances of non-payment will be reviewed by ICRA as per its applicable policies.

The Stable outlook reflects ICRA's expectations that SPSPL will continue to benefit from the operational track record and financial flexibility of its sponsor.

### Key rating drivers and their description

#### Credit strengths

**Strong promotor group with established track record lends financial flexibility** - The company is 100% owned by the sponsor, which is India's leading office landlord with a large portfolio of properties across Bengaluru, Pune, Hyderabad, Mumbai, NCR and Chennai. The sponsor's long track record in the real estate sector and the large, diverse portfolio in the retail and commercial real estate businesses in India provide comfort and allows it to command high financial flexibility.

**Favourable location of the property** – The property is located on Dr. Elijah Moses Road in Worli, Mumbai. Worli is one of the key employment hubs in South Mumbai comprising several multi-tenanted office buildings. The locality along with the adjacent area of Lower Parel host major corporate parks such as Peninsula Corporate Park, One World Centre, One International Center Urmi Estate, etc.

## Credit challenges

**Exposure to implementation risk given the project is at planning stage** – The land for the project was acquired in FY2020. However, the project is in the planning stage and its end use is being finalised. The construction of the project is expected to start once the end use is finalised. As the project remains exposed to high execution risk, any time or cost overruns may affect the project returns and debt servicing ability. The interest on the NCD will accrue every year beginning April 01, 2024, payable annually on March 31<sup>st</sup> of every financial year with first such payment falling due on March 31, 2025. Further, any material changes in the project structure or debt funding plans may impact SPSPL's credit profile.

**Exposure to approval and funding risks** – The project will require regulatory approvals, which could further lead to time overruns in case of any delays in receipt of requisite approvals. The initial project cost pertaining to land was funded by the sponsor group and the construction cost is expected to be funded through a construction loan. With the debt tie up pending, the company is exposed to funding risk.

## Liquidity position: Adequate

The company's liquidity position is adequate. As on March 31, 2023, the company had free cash and bank balance of Rs. 27.4 crore and there are no debt servicing obligations for FY2024. The interest on NCDs will start accruing from April 01, 2024, and will be payable annually on March 31<sup>st</sup> of every financial year with first such payment falling due on March 31, 2025. The company has extended loans and advances of Rs. 40 crore to a Group company, which can be recalled at any time as mutually decided between the parties.

## Rating sensitivities

**Positive factors** – The rating may be upgraded if the company achieves healthy project progress leading to improved cashflow visibility as well as adequate coverage metrics.

**Negative factors** – The rating may be downgraded, if there is any further delay in project commencement beyond the end of moratorium on coupon payment for the rated instrument, thereby hindering SPSPL's cash flow visibility and debt coverage indicators.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Spero Properties and Services Private Limited (SPSPL) was set up in 2017 and is wholly owned by the Blackstone Group. The company acquired rights for development of a land parcel at Worli, Mumbai in December 2019, as a part of the deal between Blackstone and Indiabulls at an enterprise value of Rs. 700 crore. At present, the project is in the planning stage.

## Key financial indicators

	FY2022	FY2023
Operating income	0.0	0.0
PAT	-12.1	-52.3
OPBDIT/OI	-	-
PAT/OI	-	-
Total outside liabilities/Tangible net worth (times)	1.62	2.13
Total debt/OPBDIT (times)	-970.11	-372.85
Interest coverage (times)	-0.03	-0.02

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, All ratios as per ICRA calculations Source: Company

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				July 12, 2023	July 12, 2022	July 14, 2021	-
1 NCD	Long-term	500.00	495.00	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	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 are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0IFW08011	NCD	Aug 10, 2021	0%*	Aug 09, 2031	495.00	[ICRA]BBB- (Stable)
NA	NCD	NA	NA	NA	5.00^	[ICRA]BBB- (Stable)

Source: company, \* 0% per annum from the deemed date of allotment to March 31, 2024 and 6% per annum from April 01, 2024 till maturity; ^ Rs 5.00 crore of unissued amount

#### Annexure II: List of entities considered for consolidated analysis- Not applicable

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