

August 31, 2023

Thomsun Realtors Pvt Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures	300.0	300.0	[ICRA]A+ (CE)(Stable); reaffirmed
Total	300.0	300.0	

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) (Stable) for the Rs. 300-crore non-convertible debentures (NCD) programme of Thomsun Realtors Private Limited (TRPL) is based on the strength of the corporate guarantee provided by the parent – Prestige Estates Projects Limited (PEPL, rated at [ICRA]A+ (Stable)). 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.

Salient covenants of the rated facility

- » The company shall, at all times pursuant to creation of security/mortgage on the project property, ensure that the value of the security remains at least 1.5 times of the debentures outstanding at any point of time.
- » The company shall ensure that occupancy certificate for the project is received within 12 months and 50% leasing tie-up of the project area is completed within 15 months from the allotment of NCDs.

Key rating drivers and their description

Credit strengths

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

Strong promotor group with established track record lends financial flexibility – The Prestige Group has over 35 years of experience in real estate development and is one of the leading real estate developers in South India. It has completed 285

real estate projects, with a developable area of close to 170 million square feet (msf) as on June 30, 2023. It has developed a diversified portfolio of real estate projects focusing on the residential, commercial, hospitality and retail segments. Besides, Prestige offers a variety of services such as property management services, sub-leasing and fit-out services. It has 54 ongoing projects across segments, with a total developable area of around 75 msf as on June 30, 2023.

Favourable location of properties, healthy lease tie-ups for retail mall – The retail mall and the residential projects of the company are located in Maradu, Kochi. The projects are situated within dense residential and commercial development, along with good accessibility to other parts of the city via National Highway 66. The commercial operations date of the retail mall covering 0.65 msf of area is in November 2023 and the mall has achieved 80% leasing as on June 30, 2023. The Group's track record in operating retail malls and the favourable location of the project are expected to result in healthy footfalls.

Credit challenges

Exposure to execution and market risks – The company faces execution risk for its ongoing residential projects with 32% of the project cost yet to be incurred as of June 2023, while the RERA completion timeline for the project is June 2024. Nonetheless, the healthy cash flow adequacy ratio for residential projects (143% as of June 2023 against 87% as of March 2022) on account of strong sales progress (70% of area sold) and the Group's established track record in developing residential real estate projects, mitigate the risk to an extent.

Exposure to refinancing risk – The NCDs have a bullet repayment in July 2025, which exposes the company to refinancing risk. TRPL has achieved 80% leasing tie-ups, which mitigates the risk to an extent. Nonetheless, any significant vacancies or material delay in commencement of rentals could adversely impact its cash flows and refinancing ability.

Geographical concentration risk and vulnerability to external factors – The company's projects (mall and residential projects) are located at a single location, which exposes it to geographical concentration risk. TRPL's revenues from the mall are exposed to adverse macroeconomic and external conditions such as the Covid-19 pandemic.

Liquidity position:

Guarantor (PEPL) – Adequate

PEPL's liquidity profile is adequate, supported by unencumbered cash balances of around Rs. 1,616.8 crore as on March 31, 2023 and sufficient cash flow from operations. The company has Rs. 2,282.0 crore and Rs. 2,893.0 crore of debt repayment at the Group level in FY2024 and FY2025, respectively. The repayment of the lease rental discounting (LRD) loans and residential project loans are expected to be adequately covered by the associated operational cash flows.

Issuer (TRPL) – Adequate

On a standalone basis, TRPL's liquidity profile is adequate. The rentals from the retail mall are expected to be sufficient for servicing debt obligations. The company is likely to have adequate lease rentals to convert the bullet repayment due for NCD in July 2025, into an LRD loan. The residential projects are expected to be self-sufficient, given the strong sales progress, and the pending cost of Rs. 60.89 crore is estimated to be funded entirely by committed receivables.

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) Rating Methodology for Real Estate Entities
Parent/Group support	The rating assigned to TRPL factors in the high likelihood of its parent, PEPL; rated [ICRA]A+(Stable)/ [ICRA]A1, extending financial support to it because of close business linkages between them. The support is further demonstrated by an irrevocable, unconditional corporate guarantee with a well-defined payment mechanism, extended by PEPL to the entire rated NCDs of TRPL. Link to the last rating rationale of the guarantor.
Consolidation/Standalone	Standalone

About the company

Thomsun Realtors Private Limited (TRPL), incorporated in 2003, is a joint venture (50-50 each) between the Prestige Group and the Thomsun Group, based in Kerala. Forum Thomsun is an upcoming retail mall being developed through TRPL. It is an under-construction property comprising retail and hospitality components. Retail development comprises LG+G+5F structure with a total leasable area of 0.65 msf. Further, the property includes service apartments with 32 keys with a total built-up area of 0.05 msf. It is located in the Maradu micromarket, along National Highway 66, towards the southern periphery of Kochi. The company is also developing two residential projects on land adjoining the mall development, named Cityscape and Panorama with a total saleable area of 0.45 msf. These projects are to be funded through customer advances and promoter contribution and no debt is required. The retail mall is expected to be completed by March 2024, while the residential projects is likely to be completed by June 2024.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	-	11.2
PAT	0.1	0.1
OPBDIT/OI	-	-2.1%
PAT/OI	-	0.7%
Total outside liabilities/Tangible net worth (times)	2.2	3.4
Total debt/OPBDIT (times)	- 10,906.3	- 1,700.6
Interest coverage (times)	-	-

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore , 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 on August 24, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021
				Aug 31, 2023	Aug 22, 2022	Jul 04, 2022	-	-	
1	Non-convertible debentures	300.0	300.0	[ICRA]A+ (CE) (Stable)	[ICRA]A+ (CE) (Stable)	Provisional [ICRA]A+(CE) (Stable)	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	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
INE512O07014	Non-convertible debentures	July 12, 2022	9.75%	July 12, 2025	300.0	[ICRA]A+ (CE) (Stable)

Source: Company

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

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 4547 4829

anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Pulkit K Varshney

+91 80 432 6427

pulkit.varshney@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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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



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