

October 16, 2023

Prestige Mulund Realty Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	650.00	900.00	[ICRA]A+ (Stable); reaffirmed/ assigned for enhanced amount
Total	650.00	900.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the strong parentage of Prestige Mulund Realty Private Limited (PMRPL), which is a wholly-owned subsidiary of Prestige Estates Projects Limited (PEPL, rated at [ICRA]A+ (Stable)), along with the expected timely financial support to PMRPL, for funding shortfall, if any, given their high operational, financial, and managerial linkages and PMRPL's strategic importance for the parent and PEPL's reputation sensitivity to default. Further, its borrowings carry cross default clauses linked to any events of default in subsidiaries, including PMRPL. PEPL is the holding company for the Prestige Group, which has a long operational track record of more than 35 years in the real estate industry and is one of the leading real estate developers in the country. The rating considers the favourable location of the project, which is an integrated township, being developed by Prestige Mulund Realty Private Limited (PMRPL) supporting its marketability. PMRPL is developing 'The Prestige City', a township in Mulund, Mumbai, with an overall development potential of around 7 million square feet (msf) in a phased manner. At present, ~3 msf is under construction, as part of Phase I, which includes three residential projects - Siesta (0.63 msf) Bellenza I (0.74 msf), Bellenza II (0.75 msf) and one commercial project (0.89 msf). The rating takes into account of the healthy sales response for Bellenza I and II, since their launch in FY2023, with 81% and 58% area being sold, respectively, till June 30, 2023, providing adequate cash flow visibility.

The rating is, however, constrained by the execution and market risks for the company's ongoing residential and commercial projects. As on June 30, 2023, it had incurred 36% of the total project cost for its three ongoing residential projects and one commercial project. For the ongoing residential projects, 37% of the area is yet to be sold as on June 30, 2023 and for the commercial project, no area was sold or leased as on June 30, 2023. While the sales velocity for Bellenza I and II has been good, the same has been modest for Siesta since takeover of the project due to high ticket size of the units. Further, there is high dependence on future sales to meet the pending cost of the ongoing projects as reflected by moderate cash flow adequacy cover with receivables/ (pending construction cost + debt outstanding) at 48% as on June 30, 2023. The company faces execution and market risks towards the upcoming phase II of Prestige City Township (named Forest Hill), with residential development of 2 msf, which is proposed to be launched in Q4 FY2025. Nonetheless, the Prestige Group's strong track record of project execution and sales provides comfort. The rating is constrained by the high geographical concentration risk as the ongoing and upcoming projects of the company are based in a single location, and the cyclicity risk inherent in the real estate business, which exposes its sales to any downturn in demand.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that PMRPL will continue to benefit from the Prestige Group's long operational track record and its strong project execution capabilities, as well as healthy saleability demonstrated since the launch of the project.

Key rating drivers and their description

Credit strengths

Strong promotor group with established track record – The Prestige Group has an established track record of more than 35 years in the real estate market with strong project execution capabilities. It has completed 285 projects covering a developable area of 170 msf as on June 30, 2023. ICRA expects the parent to provide timely financial support to the company for funding shortfall, if any, given its strategic importance and PEPL's reputation sensitivity to default.

Favourable location of the property – The project is located in Mulund West, Mumbai. The location is characterised by dense residential developments, along with good access to other parts of the city through Lal Bahadur Shastri Marg (LBS Marg). The favourable location and integrated township nature of development are expected to support demand prospects.

Healthy sales response for residential projects, Bellenza I and Bellenza II – The company launched Bellenza I in May 2022 and Bellenza II in August 2022. Both the projects witnessed healthy sales velocity. As on June 30, 2023, 81% of the total area was sold in Bellenza I, while 58% of the total area was sold in Bellenza II, which provides adequate cash flow visibility. The projects are exhibiting collections commensurate to construction progress.

Credit challenges

Residual execution risk and market risk – The project faces execution and market risks for the company's ongoing projects. As on June 30, 2023, it had incurred 36% of the total project cost for its three ongoing residential projects and one commercial project. For the residential projects, 37% of the area is yet to be sold as on June 30, 2023. While the sales velocity for Bellenza I and II has been good, the same has been modest for Siesta due to high ticket size of the units. For the ongoing commercial project, no area was sold or leased as on June 30, 2023. Further, there is high dependence on future sales to meet the pending cost of the ongoing projects as reflected by moderate cash flow adequacy cover with receivables/(pending construction cost + debt outstanding) at 48% as on June 30, 2023. The company is exposed to execution and market risks arising from the upcoming phase II of Prestige City Township (named Forest Hill), with residential development of 2 msf, which is proposed to be launched in Q4 FY2025. Nonetheless, the Prestige Group's strong track record of project execution and sales provides comfort.

Cyclicality of the residential real estate sector – Being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which in turn render the company's sales vulnerable to any downturn in demand.

Liquidity position: Adequate

PMRPL's liquidity position is expected to be adequate. As on June 30, 2023, the company had free cash balances and liquid investments of Rs. 63 crore. The pending costs of the ongoing projects are likely to be met through the committed receivables of Rs. 1,683 crore, undrawn debt of Rs. 103 crore, proposed debt of Rs. 280 crore, customer advances from incremental sales and promoter funds, if required.

Rating sensitivities

Positive factors – The rating may be upgraded if significant and sustained growth in sales and collections in PMRPL's project portfolio results in a consistent improvement in cash flows, lower reliance on debt funding and improvement in debt coverage metrics, along with an improvement in the credit profile of PEPL.

Negative factors – The rating might be downgraded if weak sales or subdued collections in the ongoing or the upcoming projects, or any significant increase in indebtedness impacts the cash flows and debt coverage metrics. Additionally, deterioration in the credit profile of the parent (PEPL) or weakening of business linkages or strategic importance of the company for the parent could also put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	The rating assigned to PMRPL factors in the high likelihood of its parent, PEPL; rated [ICRA]A+(Stable), extending financial support to it because of close operational, financial, and managerial linkages between them. PEPL's borrowings carry cross default clauses linked to any events of default in subsidiaries, including PMRPL.
Consolidation/Standalone	Standalone

About the company

Incorporated in 2016 as Ariisto Developers Private Limited (ADPL) and an erstwhile partnership firm formed in 2004, Prestige Mulund Realty Private Limited (PMRPL) is involved in the business of real estate development. Based on NCLT's order in March 2021, ADPL was acquired by Prestige Estates Projects Limited (PEPL) and renamed as Prestige Mulund Realty Private Limited. At present, it is developing a township, named The Prestige City, comprising residential and commercial projects, located in Mulund West, Mumbai. Under this project, three towers of Prestige Bellenza I, three towers of Prestige Bellenza II and two towers of Prestige Siesta, apart from a commercial tower, are being developed as a part of the first phase.

Key financial indicators (audited): Not applicable for a project 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 Jun 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Oct 16, 2023	Aug 10, 2022		
1 Long-term Fund-based – TL	Long-term	900.0	731.5	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-

Complexity level of the rated instruments

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 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
NA	Long-term Fund-based – TL	Dec 2021	-	FY2027	216.31	[ICRA]A+ (Stable)
NA	Long-term Fund-based – TL	Sep 2022	-	FY2027	250.00	[ICRA]A+ (Stable)
NA	Long-term Fund-based – TL	Nov 2022	-	FY2027	183.69	[ICRA]A+ (Stable)
NA	Long-term Fund-based – TL	Feb 2023	-	FY2027	108.69	[ICRA]A+ (Stable)
NA	Long-term Fund-based – TL	Jan 2023	-	FY2027	141.31	[ICRA]A+ (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

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