December 08, 2023 (Revised)

Pluto Business Parks Private Limited: Rating reaffirmed; rated amount reduced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	260.00	250.00	[ICRA]A- (Stable); Reaffirmed
Long-term Fund-based – Overdraft^	-	(50.00)	[ICRA]A- (Stable); Reaffirmed
Total	**260.00**	**250.00**	

**Instrument details are provided in Annexure-I ^Sublimit of term loans*

Rationale

The rating reaffirmation for the bank facilities of Pluto Business Parks Private Limited (PBPPL) factors in the favourable location of the asset in the Central Business District, Bengaluru, along with healthy occupancy levels (100% as on September 30, 2023), and the reputed tenant profile, which includes multinational companies such as Deloitte, Amazon, etc. The rating notes the comfortable debt coverage metrics post the refinance of the loan with an estimated five-year DSCR of around 1.55 times during FY2024-FY2028. The rating favourably considers the high financial flexibility being a part of the Blackstone Group, which has a strong track record of operating commercial real estate assets in India. The rating also draws comfort from the company's adequate liquidity position of Rs. 41.2 crore (including free cash and undrawn overdraft) as on September 30, 2023. PBPPL maintains debt service reserve account (DSRA) balance equivalent to three months' principal and interest payments.

The rating is, however, constrained by the company's exposure to refinancing risk, given that the loan availed by PBPPL has a five-year tenure with a significant bullet repayment in July 2028. Nonetheless, the risks are partly mitigated by the comfortable leverage metrics estimated at the time of the loan maturity and the sponsor's high financial flexibility. The company's leverage, as measured by the external debt/net operating income ratio, is likely to be around 6 times as of March 2024. The rating is constrained by the vulnerability of its debt coverage indicators to changes in interest rates and reduction in occupancy levels. PBPPL faces high tenant concentration risk with top 3 tenants occupying 77% of the total leased area as of September 2023. Moreover, the single asset nature of the business heightens the market risk in case of any vacancy/non-renewal of leases.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that PBPPL will continue to benefit from the favourable location, healthy occupancy, reputed tenant profile and the strong sponsor lending high financial flexibility.

Key rating drivers and their description

Credit strengths

Favourable location of property with high occupancy and reputed tenants – PBPPL acquired 1.75 lakh square feet of the leasable area in Prestige Trade Tower from the Prestige Group in March 2021. Prestige Trade Towers is located on the Palace Road in the Central Business District, Bangalore. It is a prime area for commercial office space. The company's share of area has an occupancy of 100% as of September 2023. The tenant profile is strong comprising multinational companies such as Amazon, Deloitte, etc.

Strong promotor group with established track record lends financial flexibility – The company is owned by the sponsor, which is India's leading office landlord with offices across Bangalore, Pune, Hyderabad, Mumbai, the National Capital Region (NCR) and Chennai. The sponsor has established leasing relationships with several blue-chip multinational companies as well as

Indian corporates. The sponsor's long track record in the real estate sector and large, diverse portfolio in retail and commercial real estate business in India provide comfort and allow it to command high financial flexibility.

Comfortable debt coverage metrics – PBPPL has refinanced its earlier lease rental discounting (LRD) loan of Rs. 260 crore with a fresh LRD loan of Rs. 250 crore (with OD of Rs. 50 crore as sublimit). The debt coverage indicators are expected to be comfortable with a five-year DSCR of around 1.55 times during FY2024-FY2028. The loan is supported by escrowing of rent receipts and debt service reserve account (DSRA) covering three months of debt servicing obligations.

Credit challenges

Refinancing risk – The loan availed by PBPPL has a five-year tenure with a significant bullet repayment in July 2028. Nonetheless, the risks are partly mitigated by the comfortable leverage metrics estimated at the time of the maturity of the loan, along with its high financial flexibility. The company's leverage as measured by the external debt/net operating income ratio is likely to be around 6 times as of March 2024.

High tenant concentration – PBPPL has high tenant concentration with top three tenants occupying 77% of the area leased as of September 2023 with the largest tenant occupying 47% of the leased area. However, the tenant concentration risk is mitigated to some extent due to the favourable location of the project and reputed profile of tenants.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The debt coverage ratios remain linked to additional debt, changes in interest rates and reduction in occupancy levels.

Liquidity position: Adequate

The rating draws comfort from the company's adequate liquidity position of Rs. 41.2 crore (including free cash and undrawn overdraft) as on September 30, 2023. PBPPL's average monthly interest and principal repayment obligations on the external borrowings is expected to be comfortably serviced by the operational cash flows.

Rating sensitivities

Positive factors – Significant improvement in operational cash flows and significant reduction in debt resulting in an improvement in leverage while maintaining healthy coverage metrics and liquidity, on a sustained basis, could lead to a rating upgrade.

Negative factors – Significant increase in vacancy leading to weakening of coverage metrics and liquidity position, on a sustained basis, would lead to a downgrade in rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach – Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in October 2020, PBPPL owns 1.75 lakh square feet of leasable area in Prestige Trade Tower in Bangalore, Karnataka. This asset was acquired by the company from the Prestige Group. It is owned entirely by entities affiliated with the Blackstone Group. As of September 2023, the asset is 100% occupied.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	36.7	37.0
PAT	-0.9	3.8
OPBDIT/OI	84.1%	81.9%
PAT/OI	-2.4%	10.2%
Total outside liabilities/Tangible net worth (times)	1.5	1.4
Total debt/OPBDIT (times)	8.2	8.1
Interest coverage (times)	1.1	1.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; All ratios as per ICRA calculations

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of September 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 08, 2023	Jan 06, 2023	Dec 31, 2021	-
1	**Term loans**	Long term	250.00	199.8	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-
2	**Overdraft**	Long term	(50.00)	12.4	**[ICRA]A- (Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term Fund-based – Overdraft	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 - Term loans**	July 2023	NA	July 2028	250.00	[ICRA]A- (Stable)
NA	**Long-term - Overdraft**	July 2023	NA	July 2028	(50.00)	[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

Corrigendum

Document dated December 08, 2023 has been corrected with revision as detailed below:

- The header section is modified to reflect the change in amount rated.
- The liquidity details have been modified in rationale and liquidity section.

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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