

January 08, 2024<sup>(Revised)</sup>

## Prestige Acres Private Limited: Rating withdrawn for Rs. 170.00-crore commercial paper; provisional rating confirmed as final for Rs. 273.00-crore commercial paper

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	170.0	0.0	[ICRA]A1(CE); withdrawn
Commercial paper	273.0	273.0	Provisional rating of [ICRA]A1(CE) confirmed as final
<b>Total</b>	<b>443.0</b>	<b>273.0</b>	

Rating Without Explicit Credit Enhancement

[ICRA]A3+

\*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

ICRA has confirmed the provisional rating of [ICRA]A1 (CE) assigned to the Rs. 273.0-crore commercial paper (CP) of Prestige Acres Private Limited. PAPL has shared the executed transaction documents and the provisional rating has been confirmed based on these documents, which are in line with the initial rating conditions.

The above rating is based on the strength of the corporate guarantee provided by Prestige Estates Projects Limited (PEPL/the guarantor, rated [ICRA]A1 (Stable)), one of the sponsors of Prestige Acres Private Limited (PAPL), for the CP programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

The rating for Rs. 170 crore of commercial paper has been withdrawn based on the company's request and confirmation from the IPA agent that the CPs are redeemed, and in accordance with ICRA's policy on withdrawal of credit rating.

### 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 corporate guarantee for the issued CP is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined pre-default invocation and payment mechanism. Given these attributes, the guarantee provided by PEPL is adequately strong to result in an enhancement in the rating to [ICRA]A1(CE) for Rs. 273-crore CP programme against the rating of [ICRA]A3+ 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.

The rating considers the execution, funding and market risks for the upcoming projects of 18.8 msf, which are at nascent stage, with land acquisition and/or approvals pending. Besides, the company witnessed healthy sales in two completed plotted

development projects with 99% area sold and ~81% collections for the sold value. Further, the favourable location of the projects and the Prestige Group's strong record of project execution and sales provides comfort.

### Salient covenants of the rated facility of Rs. 273 crore

- » The guarantee shall be invoked by the trustee upon the failure by the issuer to redeem the CP on the maturity date.
- » It is unlisted issuance.

### Key rating drivers and their description

#### Credit strengths

**Corporate guarantee from PEPL** – The rating for PAPL's CP programme is based on the strength of the corporate guarantees provided by PEPL. The corporate guarantees provided by PEPL are legally enforceable, irrevocable, unconditional, cover the entire amount and tenor of the rated instruments and have a well-defined pre-default invocation and payment mechanism.

**Strong promotor group with established track record lends financial flexibility** – The Prestige Group has an established track record of more than 36 years in the Bengaluru real estate market with strong project execution capabilities. It has completed 288 projects covering 172 million square feet (msf) of area as on September 30, 2023. ICRA expects the parent to provide timely financial support to the company, for funding shortfall, if any, given PAPL's strategic importance and PEPL's reputation sensitivity to default.

**Attractive project locations** – The company has completed two plotted development projects, Prestige Orchards, Hyderabad and Prestige Marigold Phase-1, which have witnessed healthy sales, with 99% area sold and ~81% collections for the sold value. The other proposed projects for development of residential plots, apartments and villas are in Jijamata Nagar, Mumbai, and in the upcoming regions of Bengaluru (Begur, Jigani, IVC Road and Bettenahalli) and Goa (Vasco Da Gama). The demand prospects are favourable due to proximity to various corporate offices in the vicinity and well-developed social infrastructure. PEPL's track record in residential real estate development is expected to support the project viability and return metrics.

#### Credit challenges

**Exposure to market, funding and execution risks** – The company has upcoming projects of 18.8 msf, which are in the nascent stage with land acquisition and/or receipt of key regulatory approvals pending. Hence, the projects are exposed to construction risk, as it is in the nascent stages of development, and remain exposed to funding and market risks.

**Exposure to cyclical in real estate sector** – The real estate sector is marked by volatile prices and a highly fragmented market structure because of the presence of many regional players. In addition, being a cyclical industry, the real estate sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand.

#### Liquidity position

##### For the rated entity (Prestige Acres Private Limited): Stretched

PAPL's liquidity profile is stretched due to the initial stage of development of most of the projects including acquisition of the project land and limited visibility on operational cash flows. It will remain dependent on funding support from external debt and customer advances from the sale of the projects.

##### For the guarantor (Prestige Estates Private Limited): Adequate

PEPL's liquidity profile is adequate, supported by cash and cash equivalent of around Rs. 1,851 crore as on September 30, 2023 and sufficient cash flow from operations. The company has Rs. 2,382 crore and Rs. 3,047 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.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if there is an 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	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty - Commercial/Residential/Retail Methodology</a> <a href="#">Policy on provisional ratings</a> <a href="#">Policy on withdrawal of rating</a>
Parent/Group support	Parent: Prestige Estates Projects Limited The rating assigned to PAPL 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, PAPL's strategic importance for the parent and the parent's reputation sensitivity to default. Moreover, PEPL has provided corporate guarantee to the borrowing programme of PAPL.
Consolidation/Standalone	The rating is based on the consolidated financial statements of PAPL including its wholly owned subsidiary, Ace Realty Ventures

## About the company

Prestige Acres Private Limited (PAPL), is a private limited company, which was incorporated in 2021. The company is owned by Prestige Estate Private Limited (51% holdings) and Pinnacle Investments (49%). PAPL plans to develop a mixed-use project (mix of residential apartments, villas and plots) on land parcels aggregating to 325 acres across Bengaluru and Goa. Also, it is planning to launch a residential project at Jijamata Nagar, Mumbai. PAPL has 100% holding in Ace Realty Ventures (ARV), which undertakes construction and development of plotted development across Bettenahalli, Bengaluru. ARV has completed the residential plot project 'Prestige Marigold Phase 1' of 1.17 msf and has launched a plotted development project – Marigold Phase 2, in September 2023. Further, the company plans to launch another plotted project – Marigold Phase 3, of 1.52 msf, by March 2025.

## 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. It was 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 35 years of experience in real estate development and is one of the leading real estate developers in South India. It has developed a diversified portfolio of real estate projects focusing on the residential, commercial, hospitality and retail segments.

## Key financial indicators

Not applicable as it is project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Nov 30, 2023 (Rs. crore)	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
				Date & Rating in FY2024				Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				January 8, 2024	Dec 21, 2023	Apr 5, 2023	Mar 24, 2023	-	-	-
1 Commercial paper	Short-term	170.0	-	[ICRA]A1(CE); withdrawn	[ICRA]A1(CE)	[ICRA]A1(CE)	Provisional [ICRA]A1(CE)	-	-	-
2 Commercial paper	Short-term	273.0	273.0	[ICRA]A1(CE)	Provisional [ICRA]A1(CE)	-	-	-	-	-

### Complexity level of the rated instrument

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

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE0LWN14017	Commercial paper	March 27, 2023	10%	December 22, 2023	170.0	[ICRA]A1 (CE); withdrawn
INE0LWN14025	Commercial paper	December 28, 2023	-	March 27, 2024	273.0	[ICRA]A1(CE)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ace Reality Ventures	100.0%	Full Consolidation

Source: Company

#### Corrigendum

Document dated January 8, 2024 has been corrected with revisions of name of the methodology from ' Real Estate Methodology' to 'Realty- Commercial/Residential/Realty'.

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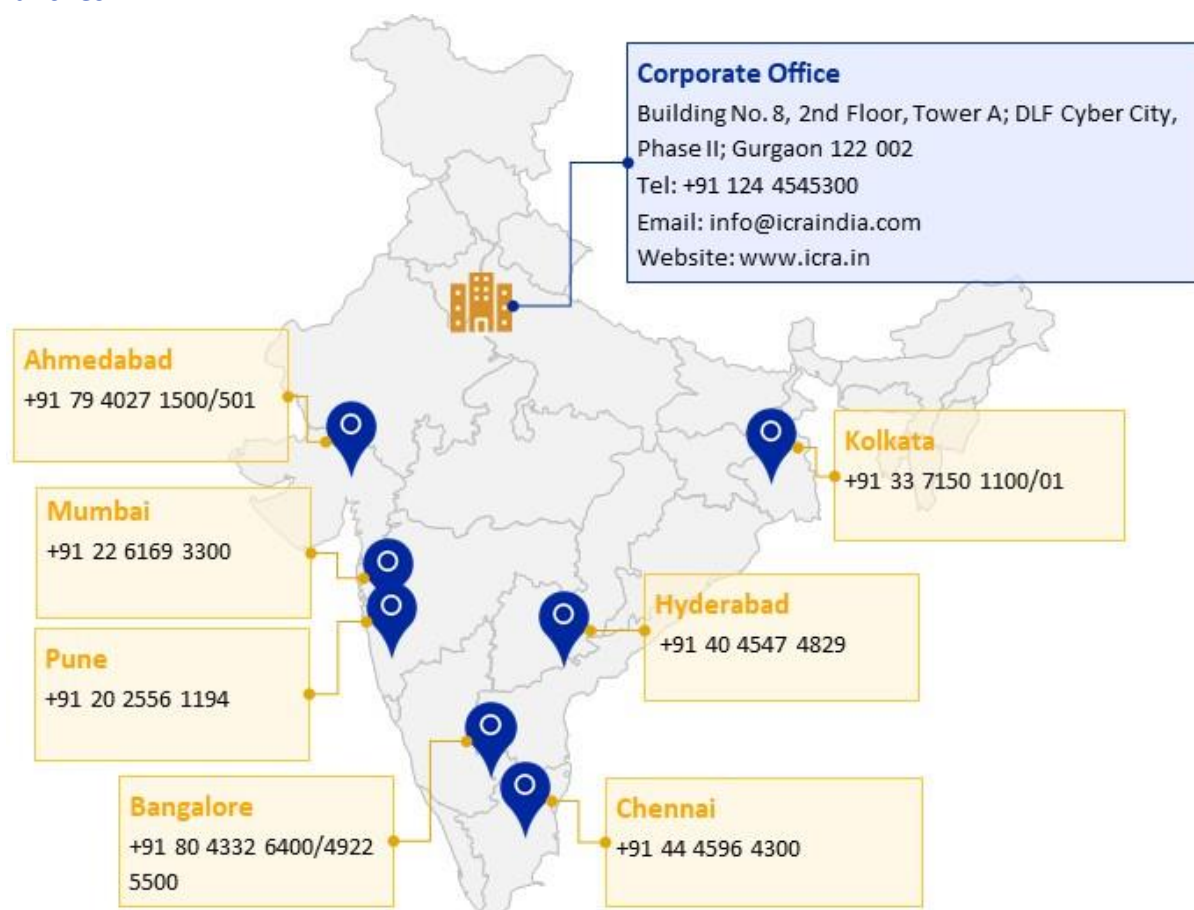
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### Branches



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