

May 09, 2024

Wakad Realty Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	575.00	[ICRA]BBB+ (Stable); assigned
Total	575.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in Wakad Realty Private Limited's (WRPL) strong promoters, wherein Panchshil group holds 67.86% stake¹ and Reco Real Private Limited [part of the Government of Singapore Investment Corporation (GIC)] holds 32.14% stake. The Panchshil Group has delivered 28 msf of real estate projects and another 17.5 msf of area is under development across multiple asset classes (residential, office, retail, hotels and convention centres). The Group has a completed commercial portfolio of 16.2 msf spread across 14 projects with healthy occupancy levels. GIC is the sovereign wealth fund of Singapore having a track record of over four decades and a strong investment portfolio. The rating also considers the favourable location of the 'Eon West Wakad – Tower D' project with good connectivity and socio-civic infrastructure. The budgeted cost of the project is Rs. 627.6 crore (excluding land), which is expected to be funded by debt of Rs. 575 crore and the balance through promoter contribution/internal accruals/security deposit. The funding risk for the project remains low as the entire debt has been tied up and committed promoter contribution has been fully infused as of December 2023. As a part of the sanction terms for the construction finance (CF) debt, the sponsors have provided unconditional undertaking to fund any cost overruns. The rating is, however, constrained by the project's exposure to execution risk with 49% of the budgeted cost yet to be incurred as of December 2023, against the scheduled date of commencement of commercial operations (DCCO) of March 2025. Nonetheless, the risk is mitigated by the strong execution track record of the Panchshil Group. The company is exposed to market risk as there are no pre-leasing tie-ups as on date. However, there is a strong leasing pipeline covering 42% of the leasable area providing visibility for lease tie-ups in the near term. Further, ICRA draws comfort from the demonstrated track record of the Panchshil Group of achieving healthy leasing in its other parks with reputed counterparties. The CF loan availed for the project has a single bullet repayment falling due in March 2026, which provides adequate timeline for leasing. Nonetheless, any significant delays in achieving lease tie-ups at adequate rentals may impact its refinancing ability. The company is also exposed to high geographical and asset concentration risks inherent in a single project portfolio.

The Stable outlook reflects ICRA's opinion that the company will benefit from the support extended by its strong sponsors to complete the project within the DCCO and the favourable location to aid in securing lease tie-ups at adequate rental rates prior to the repayment of CF loan.

Key rating drivers and their description

Credit strengths

Strong promoter with established track record – WRPL is promoted by Panchshil Group holding 67.84% stake and Reco Real Private Limited (part of GIC Group) holding 32.14% stake. The Panchshil Group has delivered 28 msf of real estate projects and another 17.5 msf of area is under development across multiple asset classes (residential, office, retail, hotels and convention centres). The Group has a completed commercial portfolio of 16.2 msf spread across 14 projects with healthy occupancy levels.

¹ Preamsagar Infra Realty Private Limited holds 59.24% stake, Panchshil Realty and Developers Private Limited holds 5.84% stake while the balance 2.78% is held by Mr. Atul Chordia.

GIC is the sovereign wealth fund of Singapore having a track record of over four decades and a strong investment portfolio. Further, as a part of the sanction terms for the CF debt, the sponsors have provided unconditional undertaking to fund any cost overruns.

Favourable project location – The project is in Wakad, Pune, with good connectivity (just a kilometre off the Mumbai-Bangalore Highway and just 7 km away from the Pune-Mumbai Expressway) and socio-civic infrastructure. The upcoming Pune Metro station at a distance of 2.5 kilometre from the project will further enhance the connectivity. Further, the project is conveniently accessible from major residential catchments like Ravet, Rahatani, Balewadi, Baner, Aundh, Pashan, Bavdhan, Kothrud and Warje (within 15-30 minute drive) via the Mumbai-Bangalore Highway, a key arterial road.

Low funding risk – The budgeted cost of the project is Rs. 627.6 crore (excluding land), which is expected to be funded by a debt of Rs. 575 crore and the balance through promoter contribution/internal accruals/security deposit. The funding risk for the project remains low as the entire debt has been tied up and the committed promoter contribution has been fully infused as of December 2023.

Credit challenges

Exposure to execution and market risks – The company is exposed to execution risk with 49% of the budgeted cost yet to be incurred as of December 2023, against the scheduled DCCO of March 2025. Nonetheless, the risk is mitigated by the strong execution track record of the Panchshil Group. The company is exposed to market risk as there are no pre-leasing tie-ups as on date. However, there is a strong leasing pipeline covering 42% of the leasable area providing visibility for lease tie-ups in the near term. ICRA draws comfort from the demonstrated track record of the Panchshil Group of achieving healthy leasing in its other parks with reputed counterparties.

Exposure to refinancing risk – The CF loan availed for the project has a single bullet repayment falling due in March 2026, which provides adequate timeline for leasing. Nonetheless, any significant delays in achieving lease tie-ups at adequate rentals may impact the company's refinancing ability.

Geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks inherent in a single project portfolio.

Liquidity position: Adequate

The company has free cash of around Rs. 5.8 crore as of December 2023. The pending project cost of Rs. 310 crore as of December 2023 is expected to be funded by undisbursed term loan of Rs. 280 crore and the balance through a mix of internal accruals and security deposits. The CF loan has a bullet repayment falling due in March 2026. The company is expected to refinance the same through LRD loan.

Rating sensitivities

Positive factors – WRPL's rating might be upgraded if there is a healthy leasing ramp-up at adequate rental rates mitigating the refinancing risk and resulting in an improvement in debt protection metrics. Specific credit metric that could lead to a rating upgrade is committed occupancy greater than 90%.

Negative factors – Downward pressure on the rating could emerge if a significant delay in construction progress or inability to ramp-up leasing at adequate rental rates impact the company's ability to timely refinance the CF loan.

Analytical approach

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

About the company

Wakad Realty Private Limited (WRPL) is developing a commercial office project, named Eon West Wakad Tower-D, at Wakad, in Pune. The project comprises one building with a total leasable area of 1.2 msf. The project's scheduled DCCO is in March 2025. Premsagar Infra Realty Private Limited (PIRPL, part of Panchshil Group) holds 59.24% stake in WRPL, while Reco Real Private Limited (part of GIC Group) holds 32.14% stake.

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 (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Dec 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 09, 2024	-	-	-
1 Term Loan	Long term	575.00	295.30	[ICRA]BBB+ (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	Term Loan	March 2022	NA	March 2026	475.00	[ICRA]BBB+ (Stable)
NA	Term Loan [^]	NA	NA	NA	100.00	[ICRA]BBB+ (Stable)

Source: Company; [^] Proposed

[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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