September 11, 2024(Revised)

# Prestige Projects Private Limited: Rating reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long-term – Non-convertible debenture (NCD) programme | 350.00 | 350.00 | [ICRA]A (Stable); reaffirmed |
| Long-term – Proposed NCD | 150.00 | 150.00 | [ICRA]A (Stable); reaffirmed |
| Long-term – NCD | 150.00 | 150.00 | [ICRA]A (Stable); reaffirmed |
| Long-term – Fund-based – Term loan | 1,000.00 | 1,000.00 | [ICRA]A (Stable); reaffirmed |
| **Total** | **1,650.00** | **1,650.00** | |

**Instrument details are provided in Annexure-I*

## Rationale

The reaffirmed rating for Prestige Projects Private Limited (PPPL) factors in the estimated increase in collections by 18-20% in FY2025 (PY: Rs. 3,449.7 crore, 39% YoY growth) and the consequent healthy cash flow from operations (CFO), supported by healthy sales and construction progress for the ongoing projects and a strong launch pipeline. The company's leverage, total external debt/CFO, is estimated to remain comfortable at 2.0-2.3 times as of March 2025 despite marginal increase in external debt to Rs. 2,400-2,500 crore in the same period (PY: Rs. 2295.3 crore) towards land investments and debt-funded capex for retail mall projects of 1.6 msf and hospitality project of 120 keys. The cash flow adequacy ratio [committed receivables/(pending construction cost + debt outstanding)] remained healthy at 95% as of March 2024 (PY: 98% ). The rating also considers PPPL's strong parentage, being a subsidiary of Prestige Estates Private Limited (PEPL, rated [ICRA]A+ (Stable)/[ICRA]A1), the flagship company of the Bengaluru-based Prestige Group. The Group has over 38 years of experience in real estate development and is one of the leading real estate developers in South India. It has completed 300 real estate projects, with saleable area of close to 180 msf as of June 2024. ICRA expects the parent to provide timely financial support to PPPL, for funding shortfall, if any, given PPPL's strategic importance and PEPL's reputation sensitivity to default.

The rating is, however, constrained by the exposure to execution and market risks arising from the company's large upcoming launch pipeline of ~12.0 msf in FY2025. Further, it is exposed to residual execution risks for the ongoing projects, wherein around 77% of the total project cost (~Rs. 8,477 crore) was yet to incurred as on March 31, 2024. Nonetheless, the Prestige Group's strong track record of project execution and sales provides comfort. PPPL's external debt/net operating working capital was high as of March 2024 due to debt-funded land investments. The rating is also constrained by the cyclicality risk inherent in the real estate business, high geographical concentration risk with significant dependence on Bengaluru, which accounts for ~97% of the total saleable area in its ongoing projects.

The Stable outlook on the rating reflects ICRA's opinion that PPPL will maintain healthy sales and collections, backed by a strong launch pipeline leading to healthy cash flows from operations, comfortable leverage and adequate liquidity.

## Key rating drivers and their description

### Credit strengths

**Estimated healthy increase in collections; comfortable leverage –** The company's collections are expected to increase by 18-20% in FY2025 (PY: Rs. 3449.7 crore, 39% YoY growth) in FY2025 leading to healthy cash from operations of Rs. 1,100-1,200 crore for FY2025-FY2026, supported by healthy sales and construction progress for the ongoing projects and a strong launch pipeline. The company's leverage, total external debt/CFO, is estimated to remain comfortable at 2.0-2.3 times in March 2025, despite marginal increase in external debt to Rs. 2,400-2500 crore during the same period (PY: Rs. 2,295.3 crore) towards land investments and debt-funded capex for retail mall projects of 1.6 msf and hospitality project of 120 keys.

**Healthy pre-sales in ongoing projects lead to healthy cash flow adequacy cover –** The company has witnessed healthy pre-sales in the ongoing projects, wherein it has sold around 98% of the total launched area (~16.0 msf) as on March 31, 2024. Consequently, the cash flow adequacy ratio (committed receivables/(pending construction cost + debt outstanding) remained healthy at 95% as of March 2024 (PY: 98%).

**Strong parentage with established track record in real estate business –** PPPL is a subsidiary of PEPL (rated [ICRA]A+(Stable)/[ICRA]A1), which is a part the Prestige Group. The Group has over 38 years of experience in real estate development and is one of the leading real-estate developers in South India. It has completed 300 real-estate projects, with a saleable area of close to 180 msf as of June 2024. ICRA expects the parent to provide timely financial support to PPPL, for funding shortfall, if any, given PPPL's strategic importance and PEPL's reputation sensitivity to default.

## Credit challenges

**Exposure to execution and market risks-–** The company is exposed to residual execution risk in the current ongoing projects, wherein around 77% of the total project cost (~Rs. 8,477 crore) was yet to be incurred as on March 31, 2024. Further, the company is exposed to significant execution and market risks for its large upcoming launch pipeline of ~12.0 msf in FY2025. PPPL's external debt/net operating working capital was high as of March 2024 due to large debt-funded land investments. Nonetheless, the Prestige Group's strong track record of project execution and sales provides comfort.

**Cyclicality risk inherent in real estate sector -** The company remains vulnerable to the inherent risks of the real estate sector, such as susceptibility to declining property prices, a slowdown in economy and reduction in housing demand. PPPL's dependence on the Bengaluru real estate market is very high, which accounts for ~97% of the total saleable area in its ongoing projects.

## Liquidity position: Adequate

The company's liquidity remains adequate with unencumbered cash and bank balance of Rs. 848 crore as of March 2024. The total pending cost of ongoing projects will be met through a mix of cash flows from operations and debt, if required. PPPL's projected cash from operations is expected to remain sufficient to meet its debt servicing obligations of ~Rs. 530 crore in FY2025.

## Rating sensitivities

**Positive factors –** The rating may be upgraded, if significant growth in sales and collections in PPPL's project portfolio leads to an improvement in cash flow from operations, lower reliance on debt funding and improvement in leverage metrics. The rating might be upgraded if there is an improvement in the credit profile of PEPL.

**Negative factors –** The rating might be downgraded, if weak sales in the upcoming projects or subdued collections in ongoing or the upcoming projects, results in weakening of project cash flows and debt coverage metrics. The rating might be downgraded in case of weakening of linkages with PEPL, or if there is a deterioration in the credit profile of PEPL.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Realty- Commercial/Residential/Retail |
| **Parent/Group support** | Parent: PEPL<br>ICRA expects the parent, PEPL, to provide timely financial support to PPPL, for funding any shortfall, given their close financial linkages, PPPL's strategic importance for the parent and the parent's reputation sensitivity to default. |
| **Consolidation/Standalone** | Standalone |

## About the company

PPPL was incorporated in 2008 and became a subsidiary of Prestige Estates Projects Limited (PEPL) post the exit of the joint venture (JV) partner, HDFC Capital Affordable Real Estate Fund in August 2021. The company has completed one project, Great Acres @ Prestige City with a total saleable area of 1.86 msf and is currently executing ongoing projects of 16.1 msf, primarily in the Bengaluru market (~15.6 msf) and Mumbai (0.46 msf) as on March 31, 2024. The company also has upcoming plans of constructing retail mall projects in Prestige Falcon City (Bengaluru), Prestige Park Grove (Bengaluru) and Prestige City (Bengaluru) totalling to ~1.6 msf and hospitality project of 120 keys in Project Falcon city (Bengaluru) in the medium term.

### Key financial indicators (audited)

| PPPL | FY2022 | FY2023 | FY2024 |
|---|---|---|---|
| **Operating income** | - | - | 991.6 |
| **PAT** | (10.2) | (4.8) | 165.1 |
| **OPBDIT/OI** | - | - | 33.2% |
| **PAT/OI** | - | - | 16.7% |
| **Total outside liabilities/Tangible net worth (times)** | 82.2 | 201.0 | 53.3 |
| **Total debt/OPBDIT (times)** | 3.6 | 14.0 | 8.8 |
| **Interest coverage (times)** | 0.9 | 0.7 | 1.7 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore*

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Instrument | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount rated (Rs. crore) | Date & rating in FY2025 | Date & rating in FY2024 | | | Date & rating in FY2023 | Date & rating in FY2022 | |
| | | | | Sept 11, 2024 | Mar 05, 2024 | Sep 12, 2023 | July 25, 2023 | July 11, 2022 | Jan 14, 2022 | Dec 23, 2021 |
| 1 | **NCD** | Long-term | 350.0 | [ICRA]A (stable) | [ICRA]A (stable) | Provisional [ICRA]A+(CE) (Stable) | - | - | - | - |
| 2 | **Proposed NCD*** | Long-term | 150.0 | [ICRA]A (Stable) | [ICRA]A (stable) | Provisional [ICRA]A+(CE) (Stable) | | | | |
| 2 | **NCD** | Long-term | 150.0 | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) |
| 3 | **Term loan** | Long-term | 1000.0 | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) | [ICRA]A (Stable) | - | - | - |
| 4 | **NCD** | Long-term | 0.0 | | | - | [ICRA]A+ (CE) (Stable); withdrawn | [ICRA]A+ (CE) (Stable) | [ICRA]A+(CE) (Stable) | Provisional [ICRA]A+(CE) (Stable) |
| 5 | **NCD** | Long-term | 0.0 | | | - | [ICRA]A+ (CE) (Stable); withdrawn | [ICRA]A+ (CE) (Stable) | Provisional [ICRA]A+(CE) (Stable) | Provisional [ICRA]A+(CE) (Stable) |

**Yet to be placed*

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Long-term fund-based – Term Loan | Simple |
| Long term - NCD | Simple |
| Long-term – Proposed NCD | Simple |
| Long-term- NCD | 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 | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **INE757O07049** | **NCD** | March 07, 2024 | 11.75% | March 05, 2027 | 350.0 | [ICRA]A(Stable) |
| **-** | **Proposed NCD** | NA | NA | NA | 150.0 | [ICRA]A(Stable) |
| **INE757O08013** | **NCD** | Aug 20, 2018 | 18.00% | Aug 20, 2038 | 150.0 | [ICRA]A(Stable) |
| **NA** | **Term Loan** | Dec 22, 2022 | NA | Aug 2027 | 1000.0 | [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

Rationale dated September 11, 2024 has been revised with changes as below:

- Language related changes in the ‘rating history for past three years’ section on page 4.

## ANALYST CONTACTS


**Rajeshwar Burla**
+91 40 6939 6443
rajeshwar.burla@icraindia.com

**Pulkit Varshney**
+91 80 4332 6427
pulkit.varshney@icraindia.com

**Anupama Reddy**
+91 40 6939 6427
anupama.reddy@icraindia.com

**Vishal R**
**+91 44 4596 4300**
vishal.r@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

## ABOUT ICRA LIMITED

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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