September 30, 2024 (Revised)

Prestige Estates Projects Limited: Ratings reaffirmed; rated amount enhanced; rating reaffirmed and withdrawn for Rs. 230 crore of CPs

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	1,451.4	1,451.4	[ICRA]A+(Stable); reaffirmed/ assigned for enhanced amount
Long-term - Non-fund based	496.20	496.20	[ICRA]A+(Stable); reaffirmed
Non-convertible debenture	500.00	500.00	[ICRA]A+(Stable); reaffirmed
Long-term - Fund-based	20.00	20.00	[ICRA]A+(Stable); reaffirmed
Unallocated – Long-term	151.51	151.51	[ICRA]A+(Stable); rating reaffirmed
Commercial paper	300.00	530.00	[ICRA]A1; reaffirmed & assigned for enhanced amount
Commercial paper	230.00	0.00	[ICRA]A1; reaffirmed and withdrawn
Total	**3149.11**	**3149.11**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation for Prestige Estates Projects Limited (PEPL) factors in the healthy operating performance in residential segment in FY2024, which is likely to sustain in FY2025, primarily driven by strong sales velocity, adequate committed sales, construction progress for the ongoing projects and a healthy launch pipeline of upcoming projects. Further, leverage of the company is expected to improve in FY2025 and FY2026, backed by the recently Qualified Institutional Placement (QIP) of Rs. 5,000 crore in September 2024. PEPL reported pre-sales of Rs. 21,040 crore (63% YoY growth) and collections of Rs. 11,069 crore (27% growth) in FY2024. In FY2025, the company's collections are expected to grow by 27-30% to around Rs. 14,000-14,500 crore (Rs. 2,916 crore, 6% YoY growth, in Q1 FY2025) and consequently, the cash flow from operations (CFO) is estimated to improve. Despite the expected significant investments in the commercial, retail and hospitality segments of ~Rs. 4800- 5200 crore each in FY2025-FY2026 and strong launch pipeline of residential projects during the near to medium term, the debt levels are expected to sustain at around Rs. 10,500-11,500 crore as of March 31, 2025 (PY: Rs. 11,460 crore) supported by the proceeds from recent QIP. The QIP proceeds are proposed to be utilised towards reduction of debt levels (~30%), funding of capex including investment in subsidiaries and JVs (25%), land acquisition plans (20%) and other general corporate expenses (~24%). Consequently, the leverage, gross debt/CFO, are expected to be comfortable and below 2.5 times in the medium term (FY2025-FY2026). The cash flow adequacy ratio remained healthy at 78% of the balance construction cost of Rs. 19,376 crore and total debt outstanding of Rs. 5,475 crore as of June 30, 2024 (75% as of March 2024) in the residential segment.

The ratings also favourably note the Group's diversified operations across various segments, including residential, commercial, retail, hospitality and property management (services). The performance of all the key segments remained healthy in FY2024 and is expected to be sustained in FY2025. The revenue from the commercial office leasing increased by 36% YoY in FY2024, while that from the retail segment grew by 248% in FY2024, although on a lower base. The hospitality division reported a 20% YoY revenue growth in FY2024, supported by a higher average room rent (ARR) and occupancy. Further, the ratings draw comfort from the Group's established operational track record of more than 37 years in the real estate industry, its strong project execution capabilities and sizeable market share in the Bengaluru residential real estate segment.

The ratings are, however, constrained by the exposure to funding and execution risks, given the significant investments in the commercial real estate segment, including large-sized projects in Mumbai and New Delhi. The company has significant plans to expand its ongoing residential portfolio to maintain the growth momentum and strengthen its market presence in the existing as well as new micro-markets. PEPL has a project pipeline of ~75 msf, to be launched in the near to medium term. Nevertheless, the recent funding from QIP is expected to support the growth trajectory of the company in the near to medium term. Further, the company's expansion to newer geographies exposes it to execution and market risks, as well as risks of any non-performance by joint venture (JV) partners of their obligations. The company faces inherent cyclicality of the real estate and hospitality industries, and vulnerability to external factors. Nonetheless, ICRA draws comfort from PEPL's track record of project execution and sales in both residential and commercial real estate. ICRA also notes that the overall borrowing cost remains on the higher side, given the sizeable proportion of high-cost general corporate debt in the overall consolidated debt profile.

ICRA has withdrawn the ratings assigned to the commercial paper of Rs. 230 crore of Prestige Estates Projects Limited, as the same are fully redeemed, and is in accordance with ICRA's policy on withdrawal of ratings.

The Stable outlook on the long-term rating reflects ICRA's opinion that PEPL will continue to maintain healthy sales and collection in the residential real estate segment, backed by a strong launch pipeline, leading to healthy growth in cash flows from operations and comfortable leverage metrics. The company is also expected to benefit from its diversified operations across various segments.

Key rating drivers and their description

Credit strengths

Estimated healthy operating performance in residential segment – The residential segment of the company is expected to witness healthy performance in FY2025, primarily driven by strong sales velocity, adequate committed sales, construction progress for the ongoing projects and a healthy launch pipeline of upcoming projects. PEPL reported pre-sales of Rs. 21,040 crore (63% YoY growth) and collections of Rs. 11,069 crore (27% growth) in FY2024. In FY2025, the company's collections are expected to grow by 27-30% to Rs. 14,000-14,500 crore with Rs. 2,916 crore (6% YoY growth) recorded in Q1 FY2025 and consequently, the cash flow from operations (CFO) is estimated to improve. The cash flow adequacy ratio remained healthy at 78% of the balance construction cost of Rs. 19,376 crore and total debt outstanding of Rs. 5,475 crore as on June 30, 2024 (75% as of March 2024) in the residential segment.

Part QIP proceeds to be deployed for debt repayment; expected improvement in leverage –Despite the expected significant investments in the commercial, retail and hospitality segments of ~Rs. 4800- 5200 crore each in FY2025-FY2026 and strong launch pipeline of residential projects during the near to medium term, the debt levels are expected to sustain at around Rs. 10,500-11,500 crore as of March 31, 2025 (PY: Rs. 11,460 crore) supported by the proceeds from recent QIP. The QIP proceeds are proposed to be utilised towards reduction of debt levels (~30%), funding of capex including investment in subsidiaries and JVs (25%), land acquisition plans (20%) and other general corporate expenses (~24%). Consequently, the leverage, gross debt/CFO, are expected to be comfortable and below 2.5 times in the medium term (FY2025-FY2026).

Leading real-estate developer with long track record, strong market position and diversified portfolio – PEPL has over 37 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 developable area of ~190 msf as of June 30, 2024. It has developed a diversified portfolio of real estate projects focusing on the residential, commercial, hospitality and retail segments. Besides, it offers a variety of services, such as property management services, sub-leasing and fit-out services. It has 52 ongoing projects across segments, with a total developable area of ~90 msf as of June 30, 2024. The performance of all the key segments remained healthy in FY2024 and is expected to be sustained in FY2025.

Credit challenges

Risks associated with large-scale, ongoing and upcoming projects – The company remains exposed to funding and execution risks, given the significant investments in the commercial real estate segment, including large-sized projects in Mumbai and New Delhi. The company has significant plans to expand its ongoing residential portfolio and maintain the growth momentum as well as strengthen its market presence in the existing as well as new micro-markets. Nevertheless, the recent funding from QIP is expected support the growth trajectory of the company in the near to medium term. PEPL has a future project pipeline of ~75 msf, to be launched in the near to medium term. Further, the Group's expansion to newer geographies exposes it to execution and market risks, as well as risks of any non-performance by JV partners of their obligations.

Exposed to inherent cyclicality in real estate sector – The company remains exposed to the inherent cyclicality of the real estate and hospitality industries and vulnerability to external factors. Nonetheless, ICRA draws comfort from PEPL's track record of project execution and sales in both residential and commercial real estate.

Liquidity position: Adequate

PEPL's liquidity profile is adequate, supported by cash balances and liquid investments of ~Rs. 2,270.0 crore as of June 30, 2024. Following the QIP exercise, the company had a healthy liquidity balance of Rs. 6,770 crore as of September 15, 2024, which will be utilised towards the reduction of debt levels and funding of capex and land acquisition plans. It has a consolidated principal repayment of Rs. 1,814.9 crore in Q2-Q4 FY2025, which can be serviced comfortably from the cash flow from operations and surplus liquidity.

Rating sensitivities

Positive factors – PEPL's ratings might be upgraded, in case of sustained growth in sales and collection in the residential real estate segment and healthy leasing in the commercial segment, leading to robust growth in cash flows from operations and comfortable leverage metrics, while sustaining a healthy liquidity position. In addition, the improvement in the debt profile through a reduced share of high-cost debt will be a key rating monitorable.

Negative factors – Pressure on PEPL's ratings could arise, if the company's cash flows or leverage position is impacted by any sustained weakness in sales in the residential segment or large debt-funded investments in land or commercial real estate projects. Specific metrics which could put pressure on the ratings include gross debt/CFO exceeding 3 times on a consistent basis, or if there is a decline in the cover of receivables from the sold area over the pending costs and debt in the residential segment (including corporate debt) to lower than 50%.

Environmental and social risks

Environmental considerations: The real estate segment is exposed to risks from increasing environmental norms, which impact operating costs, including higher costs of raw materials such as building materials and compliance expenses related to pollution control regulations. Environmental clearances are required for project commencements and lack of timely approvals can affect its business operations. The impact of changing environmental regulations on licences obtained for property development could also create credit risks.

Social considerations: In terms of social risks, the post-pandemic environment has been favourable to real estate developers, as demand for quality homes with good social infrastructure has increased. Further, rapid urbanisation and a high proportion of the workforce population (aged 25-44 years) will support demand for real estate in India, thereby benefitting PEPL. This is further supported by the healthy sales trend reported over the recent quarters.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) Realty - Commercial/Residential/Retail Rating Methodology for hotels Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of PEPL along with its operational subsidiaries, JVs, and associate companies on account of the strong business and financial linkages among these entities. The list of companies that are consolidated to arrive at the ratings is given in Annexure II.

About the company

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, together holding 65.48% of the shares. The remaining are held by institutional investors and other public shareholders, as on June 30, 2024.

The Prestige Group has over 37 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 developable area of close to 180 msf as of June 2024. It has developed a diversified portfolio of real estate projects focusing on the residential, commercial, hospitality and retail segments. Besides, Prestige offers a variety of services, such as property management services, sub-leasing, and fit-out services. It has 52 ongoing projects across segments, with a total developable area of around 90 msf as on June 30, 2024.

Key financial indicators (audited)

PEPL consolidated	FY2022	FY2023	FY2024
Operating income	6,389.5	8,315.0	7877.1
PAT	1,230.8	1,050.0	1618.0
OPBDIT/OI	24.0%	25.1%	31.7%
PAT/OI	19.3%	12.6%	20.5%
Total outside liabilities/Tangible net worth (times)	2.1	2.5	3.1
Total debt/OPBDIT (times)	4.8	4.5	5.4
Interest coverage (times)	2.8	2.6	2.0

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

	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sept 30, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non fund based limits	Long Term	496.20	[ICRA]A+ (Stable)	08-May-2024	[ICRA]A+ (Stable)	28-Jul-2023	[ICRA]A+ (Stable)	16-Nov-2022	[ICRA]A+ (Stable)	16-Nov-2021	[ICRA]A+ (Stable)
				23-Jul-2024	[ICRA]A+ (Stable)	06-Feb-2024	[ICRA]A+ (Stable)	-	-	-	-
Term Loans	Long Term	1451.40	[ICRA]A+ (Stable)	08-May-2024	[ICRA]A+ (Stable)	28-Jul-2023	[ICRA]A+ (Stable)	16-Nov-2022	[ICRA]A+ (Stable)	16-Nov-2021	[ICRA]A+ (Stable)
				23-Jul-2024	[ICRA]A+ (Stable)	06-Feb-2024	[ICRA]A+ (Stable)	-	-	-	-
Commercial paper	Short Term	230.00	[ICRA]A1; rating withdrawn	08-May-2024	[ICRA]A1	28-Jul-2023	[ICRA]A1	-	-	-	-
				23-Jul-2024	[ICRA]A1	06-Feb-2024	[ICRA]A1				
Commercial paper	Short Term	530.00	[ICRA]A1	08-May-2024	[ICRA]A1	28-Jul-2023	[ICRA]A1	-	-	-	-
				23-Jul-2024	[ICRA]A1	06-Feb-2024	[ICRA]A1	-	-	-	-
Fund based limits	Long Term	20.00	[ICRA]A+ (Stable)	08-May-2024	[ICRA]A+ (Stable)	28-Jul-2023	[ICRA]A+ (Stable)	16-Nov-2022	[ICRA]A+ (Stable)	-	-
				23-Jul-2024	[ICRA]A+ (Stable)	06-Feb-2024	[ICRA]A+ (Stable)	-	-	-	-
Non-convertible debenture	Long Term	500.00	[ICRA]A+ (Stable)	08-May-2024	[ICRA]A+ (Stable)	28-Jul-2023	[ICRA]A+ (Stable)	16-Nov-2022	[ICRA]A+ (Stable)	16-Nov-2021	[ICRA]A+ (Stable)
				23-Jul-2024	[ICRA]A+ (Stable)	06-Feb-2024	[ICRA]A+ (Stable)	-	-	-	-
Long term-unallocated	Long Term	151.51	[ICRA]A+ (Stable)	23-Jul-2024	[ICRA]A+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term Non-fund based	Simple
Non-convertible debenture	Simple
Long-term Fund-based	Simple
Commercial paper	Very simple

Unallocated – Long term	Not Applicable

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	FY2013-FY2024	NA	Jan 2036	1,451.4	[ICRA]A+(Stable)
NA	Non-fund based	-	-	-	496.20	[ICRA]A+(Stable)
INE811K07075	NCD	Nov 29, 2021	8.9%	Nov 29, 2024	240.00	[ICRA]A+(Stable)
INE811K07083	NCD	Nov 29, 2021	8.9%	Nov 29, 2026	260.00	[ICRA]A+(Stable)
NA	Fund-based	-	-	-	20.00	[ICRA]A+(Stable)
INE811K14030	Commercial Paper	Aug 01, 2024	-	July 31, 2025	230.00	[ICRA]A1
INE811K14022	Commercial Paper^	Aug 2023	-	Aug 2024	230.00	[ICRA]A1; withdrawn
NA	Commercial Paper*	-	-	-	300.00	[ICRA]A1
NA	Unallocated	-	-	-	151.51	[ICRA]A+(Stable)

*Source: Company ; *Yet to be placed; ^CP has been redeemed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	PEPL Ownership	Consolidation Approach
Avyakth Cold Storages Private Limited	100.00%	Full Consolidation
Dollars Hotel & Resorts Private Limited	65.92%	Full Consolidation
ICBI (India) Private Limited	82.57%	Full Consolidation
K2K Infrastructure (India) Private Limited	75.00%	Full Consolidation
Northland Holding Company Private Limited	100.00%	Full Consolidation
Prestige Bidadi Holdings Private Limited	99.94%	Full Consolidation
Prestige Builders and Developers Private Limited	100.00%	Full Consolidation
Prestige Construction Ventures Private Limited	100.00%	Full Consolidation
Prestige Exora Business Parks Limited	100.00%	Full Consolidation
Prestige Falcon Realty Ventures Private Limited	100.00%	Full Consolidation
Prestige Garden Resorts Private Limited	100.00%	Full Consolidation
Prestige Hospitality Ventures Limited	100.00%	Full Consolidation
Prestige Leisure Resorts Private Limited	57.45%	Full Consolidation
Prestige Retail Ventures Limited	100.00%	Full Consolidation
Sai Chakra Hotels Private Limited	100.00%	Full Consolidation
Shipco Infrastructure Private Limited	70.00%	Full Consolidation
Prestige Sterling Infra Projects Private Limited	90.00%	Full Consolidation
Prestige Mall Management Private Limited	100.00%	Full Consolidation
Prestige Garden Estates Private Limited	73.00%	Full Consolidation
Village-De-Nandi Private Limited	100.00%	Full Consolidation

Company Name	PEPL Ownership	Consolidation Approach
Kochi Cyber Greens Private Limited	100.00%	Full Consolidation
Prestige Projects Private Limited	60.00%	Full Consolidation
Prestige Mulund Realty Private Limited (formerly known as Ariisto Developers Private Limited) (w.e.f June 29, 2021)	100.00%	Full Consolidation
Prestige Acres Private Limited (w.e.f October 25, 2021)	51.00%	Full Consolidation
Prestige Warehousing & Cold Storage Services Private Limited	92.36%	Full Consolidation
Apex Realty Management Private Limited (w.e.f June 24, 2022)	60.00%	Full Consolidation
Prestige Falcon Malls Private Limited	100.00%	Full Consolidation
Prestige Falcon Mumbai Realty Private Limited	51.00%	Full Consolidation
Prestige Lonavala Estates Private Limited (w.e.f Dec 15, 2023)	100.00%	Full Consolidation
Prestige (BKC) Realtors Private Limited (w.e.f September 15, 2023)	100.00%	Full Consolidation
Prestige Estates Projects Corp.	100.00%	Full Consolidation
Ace Realty Ventures	51.00%	Full Consolidation
Albert Properties	72.66%	Full Consolidation
Eden Investments & Estates	77.50%	Full Consolidation
Morph*	40.00%	Equity Method
Prestige AAA Investments	51.00%	Full Consolidation
Prestige AltaVista Holdings	99.00%	Full Consolidation
Prestige Habitat Ventures	99.00%	Full Consolidation
Prestige Kammanahalli Investments	75.00%	Full Consolidation
Prestige Nottinghill Investments	51.00%	Full Consolidation
Prestige Office Ventures	99.99%	Full Consolidation
Prestige Ozone Properties*	47.00%	Equity Method
Prestige Pallavaram Ventures	99.95%	Full Consolidation
Prestige Property Management & Services	97.00%	Full Consolidation
Prestige Southcity Holdings	51.00%	Full Consolidation
Prestige Sunrise Investments	99.99%	Full Consolidation
Prestige Whitefield Developers*	47.00%	Equity Method
PSN Property Management and Services*	50.00%	Equity Method
Silver Oak Projects	99.99%	Full Consolidation
The QS Company	98.00%	Full Consolidation
Prestige Century Landmark (w.e.f April 07, 2021)	55.00%	Full Consolidation
Prestige Century Megacity* (w.e.f April 07, 2021)	45.00%	Equity Method
Southeast Realty Ventures (w.e.f. March 20, 2023)	99.99%	Full Consolidation
Prestige Falcon Business Parks (w.e.f July 14, 2021)	99.00%	Full Consolidation
Prestige Realty Ventures (w.e.f March 29, 2024)	99.90%	Full Consolidation
Evergreen Industrial Estate (w.e.f Aug 29, 2023)	99.99%	Full Consolidation
Villaland Developers LLP	99.00%	Full Consolidation
West Palm Developments LLP	61.00%	Full Consolidation
Prestige Valley View Estates LLP	51.05%	Full Consolidation
Prestige Whitefield Investment and Developers LLP	99.99%	Full Consolidation

Company Name	PEPL Ownership	Consolidation Approach
Prestige OMR Ventures LLP	100.00%	Full Consolidation
Apex Realty Ventures LLP (w.e.f. June, 24 2022)	60.00%	Full Consolidation
Turf Estate Joint Venture LLP (w.e.f Aug 29, 2023)	100.00%	Full Consolidation
Prestige Devenahalli Developers LLP*	45.00%	Equity Method
Prestige Beta Projects Private Limited (w.e.f. March 24, 2022)	40.00%	Equity Method
Dashanya Tech Parkz Private Limited* (w.e.f. February 09, 2022)	50.00%	Equity Method
Thomsun Realtors Private Limited	50.00%	Equity Method
Bamboo Hotel and Global Centre (Delhi) Private Limited	50.00%	Equity Method
Pandora Projects Private Limited	50.00%	Equity Method
Techzone Technologies Private Limited	48.07%	Equity Method
Prestige Vaishnaoi Projects (w.e.f May 03, 2023)	30.00%	Equity Method
Prestige Vaishnaoi Realty Ventures (w.e.f April 03, 2023)	50.00%	Equity Method
Prestige MRG ECO Ventures	50.00%	Equity Method
Worli Urban Development Project LLP	25.50%	Equity Method

*Source: Company, ICRA research; * Subsidiary based on the terms of the partnership deed*

Corrigendum

Rationale dated September 30, 2024 has been revised with changes as below:

- Revision in the key financial indicators on page number 4.

ANALYST CONTACTS

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

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

Pulkit K Varshney
+91 80 4332 6427
pulkit.varshney@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