

December 19, 2024

## Prestige Beta Projects Private Limited: [ICRA]BBB+ (Stable) assigned

### Summary of rating action

| Instrument*   | Current Rated Amount<br>(Rs. crore) | Rating Action                  |
|---|-------------------------------------|--------------------------------|
| Long term Fund-based -Term loan                         | 1300.0                              | [ICRA] BBB+ (Stable); assigned |
| Long-term –Interchangeable<br>(sub-limit of fund-based) | (130.0)                             | [ICRA] BBB+(Stable); assigned  |
| <b>Total</b>  | <b>1300.0</b>                       |                                |

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating for Prestige Beta Projects Private Limited (PBPL) factors in the strong sponsors, wherein 50% stake is held by BREP Asia II Indian Holding Co VII (NQ) Pte. Ltd (Blackstone Group) and 40% by the Prestige Group (through Prestige Estates Projects Limited (rated [ICRA]A+ (Stable)). The sponsors' have strong track record of operating and leasing commercial real estate assets in India. The rating considers the favourable location of the commercial office project with a leasable area of 2.24 million square feet (msf) at Bellandur, which is near the Outer Ring Road, in Bengaluru, and has good connectivity and socio-civic infrastructure. The budgeted cost of the project is ~Rs. 1,530 crore (excluding land), which is expected to be funded by a debt of Rs. 1,300 crore and the balance through promoter contribution and security deposits. Further, the funding risk is low as the entire debt has been tied-up and 73% of the equity is brought in as of September 2024.

The rating, however, is constrained by the project's exposure to residual execution risk with 37% of the total construction cost yet to be incurred as on September 30, 2024. Nevertheless, the risk is mitigated by the strong execution track record of the Prestige Group in timely completion of large-size projects. The project is exposed to high market risk in absence of any pre-leasing tie-ups. The company is under advanced stages of discussion with a single prospective tenant for leasing out 1.8-1.9 msf (i.e., ~85% of the leasable area). The CF loan has a bullet repayment due in April 2027, which provides adequate timeline for leasing. Any significant delays in project completion or inadequate leasing may adversely impact its refinancing ability. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels. PBPL is exposed to high geographical and asset concentration risks inherent in a single project portfolio.

The Stable outlook reflects ICRA's expectations that the company will benefit from the favourable location aiding to secure lease tie-ups at adequate rental rates prior to the repayment of CF loan.

### Key rating drivers and their description

#### Credit strengths

**Strong sponsors with established track record** – PBPL is a joint venture (JV) of the Blackstone Group (50%), the Prestige Group (40%) and the Sterling Group (10%). The Blackstone Group is one of the leading owners of office spaces in India, with a large portfolio of office properties across Bengaluru, Pune, Hyderabad, Mumbai, the National Capital Region (NCR) and Chennai. It has a strong track record in the commercial real estate business in India. As on September 30, 2024, the Prestige Group has completed and delivered a total area of 190 msf of space, comprising over 300+ residential, commercial and hospitality projects. It has demonstrated strong execution capabilities and leasing track record in the commercial real estate sector.

**Favourable location of project** – The project, Prestige Lakeshore Drive, is in Bellandur, Bangalore, which is near the Outer Ring Road. Further, the project is easily accessible from major residential catchments like Whitefield, Kadubeesanahalli, Brookfield and Sarjapur Road (within 10-30 min drive). This enhances the marketability of the project and is likely to translate into adequate pre-leasing by the scheduled completion.

**Low funding risk with majority of equity already infused and debt is tied-up** – The project has low funding risk with CF debt tie-up. Significant part of the equity (~73% of the total contribution) has already been infused by the sponsor groups as of September 2024.

### Credit challenges

**Exposure to execution and market risks** – The project involves developing of 2.24 msf of leasable office space in Bellandur, Bengaluru. The approvals required for commencement of construction are already in place and construction is likely to be completed by September 2025. Considering 37% of the construction cost is yet to be incurred as of September 2024, it is exposed to residual execution risk. Nevertheless, the risk is mitigated by the strong execution track record of the sponsor in timely completion of large-size projects. The project has no pre-leasing as on date, which exposes it to market risk. The company is in the advanced stages of discussion with a single prospective tenant for leasing out 1.8-1.9 msf (i.e., ~85% of the leasable area).

**High refinancing risk** – The existing CF loan has a bullet repayment due in April 2027, which provides adequate timeline for leasing. Any significant delays in project completion or inadequate leasing may adversely impact its refinancing ability. However, this risk is mitigated by the sponsors' strong leasing track record.

**Exposure to geographical and asset concentration risks** – The company is exposed to high geographical and asset concentration risks inherent in special purpose vehicles (SPVs), as a sole ongoing commercial project is being constructed in Bengaluru.

### Liquidity position: Adequate

PBPPL's liquidity profile is adequate with unencumbered cash and cash equivalents of Rs. 33 crore as of September 30, 2024. The pending project cost of phase 1A is ~Rs. 631 crore, which is expected to be met by undisbursed term loan of Rs. 431 crore and the balance through equity infusion from sponsors. The CF loan availed for the project has a bullet repayment in April 2027, whereas the project is likely to be completed by September 2025. This provides adequate time for achieving lease tie-ups and subsequent refinancing of the CF loan by an LRD facility.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating in case of strong leasing tie-ups at adequate rental rates, while mitigating the refinancing risk, resulting in adequate debt protection metrics.

**Negative factors** – The rating may be downgraded if there are material time/cost overruns in the project or significant delays in ramp-up of leasing leading to increase the refinancing risk, or if there is a significant rise in indebtedness resulting in weakening of coverage and leverage metrics on a sustained basis.

## Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Realty - Lease Rental Discounting (LRD)</a> |
| Parent/Group support            | Not applicable   |
| Consolidation/Standalone        | The rating is based on the standalone financial profile of the company.  |

## About the company

Prestige Beta Projects Private Limited (PBPPPL) was incorporated on December 15, 2021. The company is 50% owned by the Blackstone Group, 40% by the Prestige Group and 10% by the Sterling Group. PBPPPL is an SPV incorporated for the developing a commercial real estate project 'Prestige Lakeshore Drive', in Bellandur, Bengaluru, on a land admeasuring ~25 acres. The project involves development of 2.24 msf of leasable area with a DCCO of March 31, 2026.

**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             | Current Rating (FY2025) |                          |                     | Chronology of rating history for the past 3 years |        |        |        |        |        |
|------------------------|-------------------------|--------------------------|---------------------|---|--------|--------|--------|--------|--------|
|                        |                         |                          | FY2025              | FY2024  |        | FY2023 |        | FY2022 |        |
|                        | Type                    | Amount Rated (Rs. crore) | Dec 19, 2024        | Date  | Rating | Date   | Rating | Date   | Rating |
| Term loan              | Long Term               | 1300.0                   | [ICRA] BBB+(Stable) | -   | -      | -      | -      | -      | -      |
| Capex letter of credit | Long Term               | (130.0)                  | [ICRA] BBB+(Stable) | -   | -      | -      | -      | -      | -      |

## Complexity level of the rated instruments

| Instrument  | Complexity Indicator |
|---|----------------------|
| Long-term – Fund-based - Term loan                    | Simple               |
| Long-term – Interchangeable (sub-limit of fund-based) | 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 |
|------|------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA   | Term loans             | FY2025           | 9.80% p.a   | FY2028   | 1300.0                   | [ICRA] BBB+(Stable)        |
| NA   | Capex letter of credit | -                | -           | -        | (130.0)                  | [ICRA] BBB+(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

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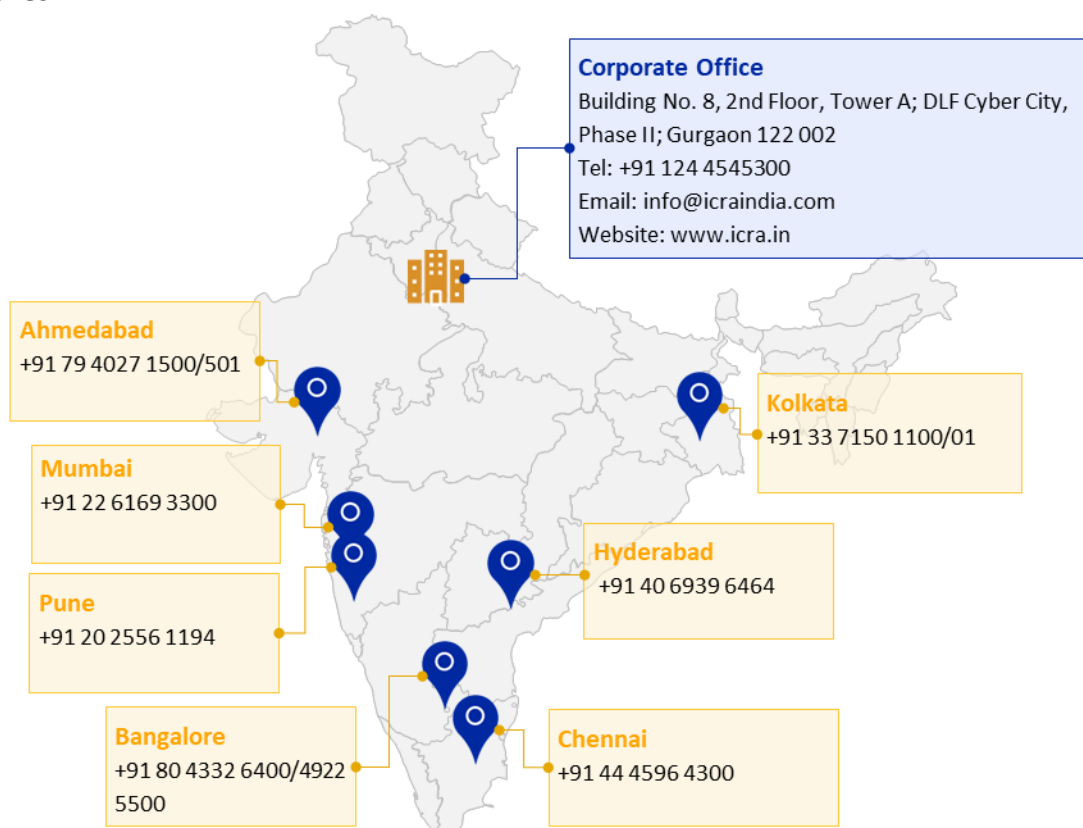
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