

January 22, 2025

Prestige Garden Resorts Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based - Term loan	400.00	[ICRA]A+ (CE) (Stable); assigned
Total	400.00	

Rating without Explicit Credit Enhancement	[ICRA]BBB+
--	------------

*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

The rating of [ICRA]A+ (CE) for the long-term fund-based limits of Prestige Garden Resorts Private Limited (PGRPL) factors in the strength of an unconditional and irrevocable corporate guarantee provided by Prestige Estates Projects Limited (PEPL), [rated at \[ICRA\]A+\(Stable\)/\[ICRA\]A1](#), the ultimate holding company of PGRPL. The rating considers the Prestige Group's established operational track record in the real estate industry and its strong project execution capabilities. The Stable outlook on the rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

PGRPL is developing a retail mall, 'Forum 13-degree North' with a total leasable area of 0.72 million square feet (msf) for the retail mall and a hotel named 'Hotel W' with 176 keys, in Yerthiganahalli, North Bengaluru. The rating factors in the favourable location of the projects, supported by their proximity to the international airport and office hubs, which enhances its marketability and is expected to translate into healthy footfalls and adequate pre-leasing tie-ups till its completion. PGRPL's credit profile remains exposed to the execution and market risks. As of December 2024, PGRPL is yet to incur ~70% of the total projects cost (excluding land) for both the mall and hotel, exposing it to residual execution risk. Further, no leasing tie-ups were in place, resulting in significant market risk. Nonetheless, the favourable location of the projects and the Prestige Group's established track record in project execution and leasing of its real estate projects mitigate these risks to an extent. Any substantial delays in achieving leasing tie-ups for the retail mall could adversely impact its ability to refinance the construction finance (CF) loan of Rs.225 crore. Nevertheless, it has sufficient time to achieve adequate leasing tie-ups for refinancing the bullet repayment for the CF loan falling due in September 2028. The rating notes the vulnerability of the hospitality and retail leasing operations to external shocks.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by PEPL in favour of the said facilities. The corporate guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument, and has the other relevant attributes specified in ICRA's methodology for considering a credit enhancement. The payment mechanism is post-default in nature. Given these attributes, the guarantee provided by PEPL results in an enhancement in the rating of the said instrument to [ICRA]A+ (CE) against the rating of [ICRA]BBB+ without explicit credit enhancement. In case the ratings of the guarantor or the unsupported ratings of PGRPL change in future, the same would have a bearing on the ratings of the aforesaid facilities. The ratings of these facilities may change in a scenario, whereby in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity, or in the reputation sensitivity of the guarantor to a default by the rated entity, or in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility:

- Fixed asset coverage ratio (FACR) should be a minimum of 1.5 times
- Debt to equity to be a minimum of 1.5 times for disbursement up to Rs. 200 crore and 1.22 times for disbursement beyond Rs. 200 crore
- Debt to EBITDA shall be less than 5 times in FY2031 and FY2032 and less than 4.25 times from FY2033 onwards
- DSCR to be a minimum of 1.15 times in FY2030 and 1.20 times from FY2031 onwards

Key rating drivers and their description

Credit strengths

Corporate guarantee from PEPL – The rated instrument is backed by a corporate guarantee from PEPL. The guarantee is legally enforceable, irrevocable, unconditional, and covers the entire amount and tenor of the rated instrument, and has the other relevant attributes specified in ICRA's methodology for considering a credit enhancement. The payment mechanism is post-default in nature.

Strong promotor group with established track record lends financial flexibility – The Prestige Group has over 38 years of experience in the real estate development and is one of the leading real estate developers in South India. It has completed around 300 real estate projects, with a developable area of ~190 msf as of September 2024. It has developed a diversified portfolio of real estate projects focusing on residential, commercial, hospitality and retail segments. Prestige offers a variety of services such as property management services, sub-leasing and fit-out services. It has 57 ongoing projects across segments, with a total developable area of ~99 msf as of September 2024.

Favourable location of project – The company's ongoing projects are favourably located in Yerthiganahalli, Bengaluru, supported by their proximity to the international airport and office hubs, which enhances its marketability and is expected to translate into healthy footfalls and adequate pre-leasing tie-ups till its completion. The area has excellent road connectivity via Outer Ring Road, providing quick access to the city centres, like Hebbal, Manyata Tech Park, and other parts of Bangalore. Further, its close proximity to Bangalore airport is a key selling point, thus making it the perfect and one of the most attractive strategic locations.

Credit challenges

Exposure to execution and market risks – As of December 2024, the company is yet to incur ~70% of the total project cost (excluding land) for both the mall and hotel covering a total leasable area of ~0.98 msf, exposing it to residual execution risk. Further, no leasing tie-ups are in place, exposing it to significant market risk. Nonetheless, the favourable location of the projects, current construction progress and the Prestige Group's established track record in leasing its real estate projects mitigate the market risk to an extent.

Exposure to refinancing risk – Any significant delays in achieving leasing tie-ups for the ongoing retail project could adversely impact the company's cash flow position and its ability to refinance the CF loan of Rs. 225 crore. Nevertheless, it has sufficient time to achieve adequate leasing tie-ups for refinancing the bullet repayment for the CF loan falling due in September 2028.

Exposure to cyclicity in commercial real estate – The company is vulnerable to the inherent risks in the real estate sector, such as susceptibility to a slowdown in economy, changes in interest rates or material reduction in occupancy levels. Further, the hospitality and leasing segments are exposed to risks arising from the cyclicity in the sector and vulnerability to exogenous shocks, which could impact the cash flows.

Liquidity position

For the rated entity (PGRPL): Adequate

On a standalone basis, PGRPL's liquidity profile is adequate. The remaining project cost of ~Rs. 510 crore as of December 2024, for the mall and hotel project is expected to be met partly from Rs. 280 crore of undrawn CF loan and the balance from promoters' infusion.

For the guarantor (PEPL): Adequate

PEPL's liquidity profile is adequate, supported by cash balances and liquid investments of ~Rs. 2,270.0 crore as on June 30, 2024. Following the QIP exercise, the company had a healthy liquidity balance of Rs. 6,770 crore as on September 15, 2024, which will be utilised towards debt reduction, capex funding 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 – Timely commencement of rentals in the mall and significant improvement in occupancy and average room rates in the hotel, resulting in healthy debt protection metrics, along with an improvement in the credit profile of the guarantor, PEPL, could result in a rating upgrade.

Negative factors – Any significant delay in project completion resulting in delayed commencement of rentals in the mall or material decline in the hotel's occupancy levels or an increase in indebtedness impacting the company's debt protection metrics could result in a rating downgrade. Additionally, deterioration in the credit profile of the guarantor, PEPL, or weakening of business linkages or strategic importance of the company towards the guarantor could put pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) Hotels
Parent/Group support	Parent Company: Prestige Estates Projects Limited (PEPL) ICRA expects the ultimate parent PEPL, rated [ICRA] A+(Stable)/[ICRA] A1, to provide timely financial support to the company for funding any shortfall, given their close financial linkages, the company's strategic importance for the parent and the parent's reputation sensitivity to default. Moreover, PEPL has provided an irrevocable, unconditional corporate guarantee to the rated bank facility of PGRPL.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

Prestige Graden Resorts Private Limited (PGRPL) incorporated on March 19, 1996, is involved in the business of real estate development and related activity. PGRPL is developing a retail mall, 'Forum 13-degree North' and a hotel named 'Hotel W', in Yerthiganahalli, Bengaluru, comprising retail, restaurant, meeting hall, banquet hall, hotel and an auditorium. The total built-up area stands at 1.49 msf, of which the total leasable area is 0.72 msf for the mall and 176 keys for the hotel. The DCCO is in March 2028 for the hotel project and September 2028 for the retail project. The company expects to complete the hotel project by December 2027 and the retail mall by March 2028.

Key financial indicators: Not meaningful as the company is currently in the project stage.

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					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	January 22, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based-Term loan	Long term	400.00	[ICRA]A+ (CE) (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	Fund-based-Term loan	September 2023	NA	September 2028/ September 2037*	400.00	[ICRA]A+ (CE) (Stable)

Source: Company; *CF loan for retail project, the bullet repayment is due in September 2028, while for the term loan against hotel project, the loan has a tenure of 9.5 years, with last repayment due in September 2037

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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

Riddham Agarwal

+91 80 4332 6405

riddham.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6169 3304

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



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.