July 08, 2025

Pune Business Spaces Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Term loans	585.00	[ICRA]A- (Stable); assigned
Total	**585.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating for Pune Business Spaces Private Limited (PBSPL) factors in the healthy pre-leasing for its asset, Panchshil Business Hub, at 81% (including Letter of Intent (LOI)) and adequate debt protection metrics, which are expected to sustain in the medium term. The asset is favourably located in Kharadi, Pune with a total leasable office space of 1.2 million square feet (msf). Moreover, the project is at an advanced stage of construction and is expected to be completed within the scheduled DCCO of December 2025, reducing execution risks. Given the healthy pre-leasing, the leverage, as measured by total debt/annualised net operating income (NOI), is estimated to be comfortable at less than 5 times as of March 2027 and the debt coverage metrics are likely to remain adequate with five-year average debt service coverage ratio (DSCR) projected to be in the range of 1.2 – 1.3 times during FY2027-FY2031. The rating also draws comfort from the established track record of the Panchshil Group, which has delivered 31.7 msf of real estate projects and another 27.6 msf is under development across multiple asset classes (residential, office, retail, hotels and convention centres). The budgeted cost of the project is Rs. 781.6 crore, which is expected to be funded by debt of Rs. 585 crore and the balance through promoter contribution and security deposit. The funding risk for the project remains low as the debt has been tied up and 81% of the committed promoter contribution has been infused as on March 31, 2025.

The rating is, however, constrained by the exposure to market risk for 19% of the area, which is yet to be tied up. ICRA notes that there is a hard option with an existing tenant for the entire vacant area, which, along with favourable location of the asset mitigates the risk to an extent. The company is exposed to high tenant concentration risk in the asset, with two tenants occupying the entire pre-leased area including 69% area by a single tenant. Nonetheless, the risk is partially offset by the reputed tenant profile and long lease tenure with adequate lock-in period. The company is also exposed to high geographical and asset concentration risks inherent in a single-project portfolio. The rating notes the vulnerability of debt coverage metrics to factors such as changes in interest rates or reduction in occupancy levels.

The Stable outlook reflects ICRA's opinion that the company will benefit from the healthy pre-leasing levels and will be able to tie-up leasing in a timely manner for the vacant area along with timely rental commencement while maintaining comfortable leverage and adequate debt coverage metrics.

Key rating drivers and their description

Credit strengths

Healthy pre-leasing; comfortable leverage and adequate debt coverage metrics – The project has a leasable area of 1.2 msf, of which ~81% has been pre-leased (including LOI). The leverage, as measured by total debt/ annualised net operating income (NOI), is estimated to be comfortable at less than 5 times as of March 2027 and the debt coverage metrics are likely to remain adequate with five-year average debt service coverage ratio (DSCR) projected to be in the range of 1.2 – 1.3 times during FY2027-FY2031.

Low funding risk; favourable project location – The budgeted cost of the project is Rs. 781.6 crore, which is expected to be funded by debt of Rs. 585 crore and the balance through promoter contribution and security deposits. The funding risk for the project remains low as the debt has been tied up and 81% of the committed promoter contribution has been infused as on March 31, 2025. The property is in Kharadi, Pune, with good connectivity and socio-civic infrastructure.

Established track record of sponsor in managing commercial real-estate assets – PBSPL is a part of Pune-based Panchshil Group. The Panchshil Group has delivered 31.7 msf of real estate projects and another 27.6 msf is under development across multiple asset classes (residential, office, retail, hotels and convention centres). The strong promoter group and their demonstrated track record in real estate development lend financial flexibility to PBSPL.

Credit challenges

High tenant concentration risk – The company is exposed to high tenant concentration risk, with two tenants occupying the entire pre-leased area including 69% by a single tenant. Nonetheless, the risk is partially offset by the reputed tenant profile and long lease tenure with adequate lock-in period.

Exposure to market risk – The company is exposed to market risk for 19% of the area, which is yet to be tied up, though there is a hard option with an existing tenant for the entire vacant area, which, along with favourable location of the asset mitigates the risk to an extent.

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 liquidity position remains adequate. The pending project cost of Rs. 162.5 crore as of March 2025, is expected to be funded by undisbursed CF loan of Rs. 125 crore and the balance through promoter contribution and security deposits. The debt repayment obligations for the term loan for FY2026 and FY2027 are expected to be partly met from cash flow from operations and from fund infusion by promoters, as the rent commencement for the pre-leased area is in a phased manner. Also, the company has unutilised overdraft limits of around Rs. 10 crore as of March 2025.

Rating sensitivities

Positive factors – The rating can be upgraded in case of rental commencement at sustained high occupancy or reduction in debt levels resulting in an improvement in debt coverage metrics. Specific credit metric that could lead to a rating upgrade is five-year average DSCR remaining above 1.25 times on a sustained basis.

Negative factors – Pressure on the rating could arise, if there is any material decline in occupancy levels or significant increase in indebtedness resulting in weakening of debt coverage and leverage metrics.

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

Pune Business Spaces Private Limited (PBSPL) is developing a commercial office project, Panchshil Business Hub, at Kharadi in Pune. The project comprises one building with a total leasable area of 1.2 msf. The scheduled DCCO of the project is December 2025. The Panchshil Group holds a 100% stake in PBSPL.

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 (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	July 08, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	585.00	[ICRA]A- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Term loans	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**	Mar-2022	NA	Dec-2034	440.00	[ICRA]A- (Stable)
NA	**Term Loans**	Mar-2025	NA	Dec-2034	145.00	[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

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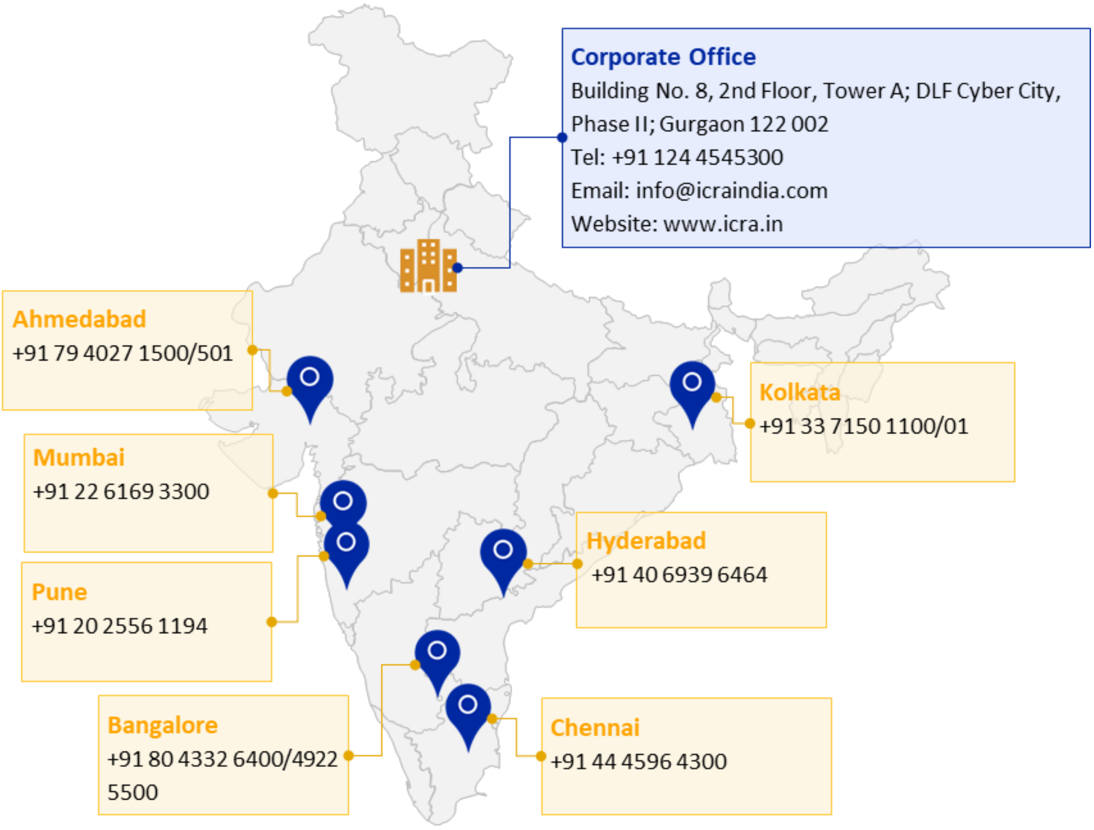

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