

May 21, 2024

Devas Global Services LLP: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	680.00	680.00	[ICRA]BBB(Stable); reaffirmed
Long-term – Fund-based – Overdraft facilities#	(20.00)	(20.00)	[ICRA]BBB(Stable); reaffirmed
Total	680.00	680.00	

*Instrument details are provided in Annexure-I

Overdraft Facilities are a sub limit of Term Loans

Rationale

The rating reaffirmation factors in the strong parentage of Devas Global Services LLP (DGSL), which is a 99.9% subsidiary of Puravankara Limited (rated [ICRA]A- (Stable)). The Group has an established track record of over three decades in the residential real estate market, especially in the southern part of India and has developed over 48 million square feet (msf) of saleable area as on December 31, 2023. DGSL is developing a commercial office project of 2 msf and is currently developing Phase 1 with 1.2 msf. The rating considers the favourable location of the project at Kadigenahalli, on International Airport Road, in Bengaluru. The entire debt tie-up is in place for Phase 1 with a construction finance (CF) loan of Rs. 614.0 crore. The total promoter contribution for Phase 1 of the project is Rs. 372 crore, of which ~Rs. 243 crore (65%) has been brought in as on March 31, 2024. The interest during construction (IDC) of the project loan is being funded by the promoter contribution. This apart, the parent (Puravankara Limited) is expected to extend extraordinary support to DGSL if the need arises, given their business linkages, strategic importance and the parent's reputation sensitivity to default.

The rating, however, is constrained by DGSL's exposure to the project implementation risk for the ongoing commercial project with 62% of the total cost yet to be incurred as of March 2024. Further, the project is exposed to significant market risk with nil pre-leasing as on date. The attractive location of the project, limited supply, along with healthy demand for Grade A office spaces in the micromarket mitigate the risk to some extent. Also, the firm's exposure to refinancing risk is high, given the bullet repayment of the CF loan of Rs. 614 crore due in March 2027. Its ability to timely tie-up leases at adequate rates for the refinancing of the CF loan with a lease rent discounting (LRD) debt will be a key rating monitorable. DGSL is also exposed to high asset concentration risks, which are inherent in single project special purpose vehicles (SPVs).

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that the firm will be benefit from its favourable project location, which should support in adequate leasing. Additionally, its strong parentage lends operational and financial synergies.

Key rating drivers and their description

Credit strengths

Part of the Puravankara Group – The Puravankara Group has a track record of over three and a half decades in the real estate market. It has presence in both premium and affordable housing segments under the brands Puravankara and Provident, respectively. The Group has demonstrated project execution capabilities with completion of saleable area of over 48 msf as of December 2023. The Group enjoys strong presence in Bangalore and has been able to successfully diversify into new geographies such as Pune, Hyderabad and Mumbai, by gaining market share. The IDC of the project loan is being funded by

the promoter contribution. This apart, the parent, Puravankara Limited, is expected to extend extraordinary support to DGSL if the need arises, given their business linkages, strategic importance and the parent's reputation sensitivity to default.

Favourable project location – The firm is developing a commercial project at Kadigenahalli, on the International Airport Road, Bengaluru. The project is 3.6 km from the toll plaza, 10 km from Bangalore International Airport, 15 km from Hebbal Junction, 7 km from Yelahanka and 24 km from MG Road (Central Business District). The project benefits from the attractive location and limited supply, along with healthy demand for Grade A office spaces in the micromarket.

Entire debt funding in place– The budgeted project cost of Rs. 986 crore is estimated to be funded by a debt-to-equity ratio of 1.7:1. The entire debt tie-up is in place with CF loan of Rs. 680.0 crore (including a takeover loan of Rs. 66 crore) is in place. The total promoter contribution for Phase 1 of the project is Rs. 372 crore, of which ~Rs. 243 crore (65%) has been brought in as on March 31, 2024.

Credit challenges

Exposure to project implementation risk and significant market risk – The project has a scheduled date for commencement of commercial operations (DCCO) in June 2026. The firm is exposed to implementation risk as 62% of the total cost yet to be as of March 2024. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without time and/or cost overruns, given the established execution track record of the Puravankara Group. There are no pre-leasing tie-ups at present, which exposes the firm to significant market risk. However, the attractive location of the project, healthy demand for Grade A office spaces and limited supply of the same in the micromarket mitigate the risk to some extent.

Exposure to refinancing risk – The firm is exposed to refinancing risk, as the loan has a bullet repayment due in March 2027. The same is likely to be refinanced using LRD debt. The ability to tie-up leases within time at adequate rates for the refinancing of the CF loan will be a key rating monitorable.

Exposure to asset concentration risk – The firm is exposed to high asset concentration risks, which are inherent in single project SPVs.

Liquidity position: Adequate

The firm's liquidity position is adequate and it has Rs. 483-crore undrawn bank limits as of March 2024, which along with the balance equity commitments will be adequate to fund the pending project cost (Phase 1) of Rs. 612.6 crore. The entire IDC component on the project loan is being funded by promoter contribution. Bullet repayment for the CF loan of Rs. 614 crore is due in March 2027 and is expected to be repaid through LRD refinancing. This apart, the parent (Puravankara Limited) is expected to extend extraordinary support to DGSL if need arises.

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 and resulting in adequate debt protection metrics. The rating will be sensitive to an improvement in the credit profile of its parent.

Negative factors – Any significant delay in construction progress and/or cost overrun and/or inability to tie-up leases at adequate rental rates or increase in indebtedness impacting the firm's debt protection metrics and/or delay in conversion of the CF loan into LRD loan could put pressure on the rating. Additionally, deterioration in the credit profile of its parent, Puravankara Limited, or the weakening of business linkages or strategic importance of the firm with the parent could put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Parent: Puravankara Limited (PL) ICRA expects PL to extend extraordinary support to DGSL if need arises given their business linkages, strategic importance, and the parent's reputation sensitivity to default
Consolidation/Standalone	Standalone

About the firm

Devas Global Services LLP is developing a Grade A commercial office space under the project name "Purva Aerocity" at Kadigenahalli, on the International Airport Road, Bengaluru. The project is being developed on a 15-acre land parcel for a leasable area of 2.0 msf. The firm is currently developing Phase 1, which is around 1.2 msf - divided in two blocks i.e., Block D (0.38 msf) and Block B (0.83 msf).

Key financial indicators (audited): Not applicable for a project firm

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)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 21, 2024	-	Feb 23, 2023	-
1 Term loans	Long term	680.00	130.97	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	-
2 Overdraft facilities#	Long term	(20.00)	(15.00)	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	-

Overdraft Facilities are a sub limit of Term Loans

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loans	Simple
Long-term – Fund-based – Overdraft facilities	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	November 17, 2022	9.75%	March 2027	680.00	[ICRA]BBB (Stable)
NA	Overdraft facilities [#]	November 17, 2022	9.75%	March 2027	(20.00)	[ICRA]BBB (Stable)

Source: Firm data

[#] Overdraft Facilities are a sub limit of Term Loans

[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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Branches



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