

January 07, 2025

## Pluto Business Parks Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	250.00	250.00	[ICRA]A- (Stable); reaffirmed
Long-term – Fund-based – Overdraft^	(50.00)	(50.00)	[ICRA]A- (Stable); reaffirmed
<b>Total</b>	<b>250.00</b>	<b>250.00</b>	

\*Instrument details are provided in Annexure-I; ^Sublimit of term loans

### Rationale

The rating reaffirmation for the bank facilities of Pluto Business Parks Private Limited (PBPL) factors in the healthy occupancy levels (100% as on September 30, 2024) for the commercial office asset, supported by its favourable location in the Central Business District, Bengaluru, and the reputed tenant profile, which includes multinational companies such as Deloitte, Amazon, etc. The rating notes the comfortable leverage, as measured by the external total debt/net operating income, which is likely to be around 5.8 - 6 times as of March 2025 (P.Y: 5.6 times). The debt coverage indicators remain healthy with annual debt service coverage ratio (DSCR) of above 1.5 times during FY2025-FY2028. The rating favourably considers the high financial flexibility being a part of the Blackstone Group, which has a strong track record of operating commercial real estate assets in India.

The rating is, however, constrained by the company's exposure to refinancing risk, given that the loan availed by PBPL has a residual tenure of around 3.6 years (as of December 31, 2024) with a significant bullet repayment in July 2028. Nonetheless, the risks are partly mitigated by the comfortable leverage metrics estimated at the time of the loan maturity and the sponsor's high financial flexibility. The rating is constrained by the vulnerability of its debt coverage indicators to changes in interest rates and reduction in occupancy levels. PBPL faces high tenant concentration risk with top 3 tenants occupying 79% of the total leased area as of September 2024, though the risk is partly mitigated by the favourable location of the asset. Moreover, the single asset nature of the business heightens the market risk in case of any vacancy/non-renewal of leases.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that PBPL will maintain healthy occupancy levels for its commercial office asset, supported by its favourable location and maintain comfortable leverage.

### Key rating drivers and their description

#### Credit strengths

**Comfortable leverage and debt coverage metrics** – The leverage, as measured by the external debt/net operating income ratio, is likely to be comfortable at around 5.8 - 6 times as of March 2025 (P.Y: 5.6 times). The debt coverage indicators remain healthy with annual DSCR of above 1.5 times during FY2025-FY2028. The loan is supported by escrowing of rent receipts and debt service reserve account (DSRA) covering three months of debt servicing obligations.

**Favourable location of property with high occupancy and reputed tenants** – PBPL acquired 1.75 lakh square feet of the leasable area in Prestige Trade Tower from the Prestige Group in March 2021. Prestige Trade Towers is located on the Palace Road in the Central Business District, Bangalore. It is a prime area for commercial office space. The company's share of area has an occupancy of 100% as of September 2024. The tenant profile is strong comprising multinational companies such as Amazon, Deloitte, etc.

**Strong promotor group with established track record lends financial flexibility** – The company is owned by the sponsor, which is India’s leading office landlord with offices across Bangalore, Pune, Hyderabad, Mumbai, the National Capital Region (NCR) and Chennai. The sponsor has established leasing relationships with several blue-chip multinational companies as well as Indian corporates. The sponsor’s long track record in the real estate sector and large, diverse portfolio in retail and commercial real estate business in India provide comfort and allow it to command high financial flexibility.

### Credit challenges

**Refinancing risk** – The loan availed by PBPL has a residual tenure of around 3.6 years (as of December 31,2024) with a significant bullet repayment in July 2028. Nonetheless, the risks are partly mitigated by the comfortable leverage metrics estimated at the time of the loan maturity and the sponsor’s high financial flexibility.

**High tenant concentration** – PBPL has high tenant concentration with top three tenants occupying 79% of the area leased as of September 2024 with the largest tenant occupying 47% of the leased area, though the risk is partly mitigated by the favourable location of the asset.

**Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels** – The debt coverage ratios remain linked to additional debt, changes in interest rates and reduction in occupancy levels.

### Liquidity position: Adequate

The rating draws comfort from the company’s adequate liquidity position of Rs. 31.1 crore (including free cash and undrawn overdraft) as on September 30, 2024. PBPL’s debt repayment obligations on the external borrowings for FY2025 and FY2026 are expected to be comfortably serviced by the operational cash flows.

### Rating sensitivities

**Positive factors** – Significant improvement in operational cash flows and substantial reduction in debt resulting in an improvement in leverage, while maintaining healthy coverage metrics and liquidity, on a sustained basis, could lead to a rating upgrade.

**Negative factors** – Significant increase in vacancy leading to weakening of coverage metrics and liquidity position, on a sustained basis, would lead to a downgrade in rating.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty - Lease Rental Discounting (LRD)</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Incorporated in October 2020, PBPL owns 1.75 lakh square feet of leasable area in Prestige Trade Tower in Bangalore, Karnataka. This asset was acquired by the company from the Prestige Group. It is owned entirely by entities affiliated with the Blackstone Group. As of September 2024, the asset is 100% occupied.

### Key financial indicators (audited)

	FY2023	FY2024
Operating income	37.0	45.3
PAT	3.8	7.0
OPBDIT/OI	81.9%	78.2%
PAT/OI	10.2%	15.5%
Total outside liabilities/Tangible net worth (times)	1.4	1.2
Total debt/OPBDIT (times)	8.1	5.8
Interest coverage (times)	1.4	1.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jan 07, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
1 Term loans	Long term	250.00	[ICRA]A-(Stable)	08-Dec-2023	[ICRA]A-(Stable)	06-Jan-2023	[ICRA]A-(Stable)	31-Dec-2021	[ICRA]A-(Stable)
2 Overdraft	Long term	(50.00)	[ICRA]A-(Stable)	08-Dec-2023	[ICRA]A-(Stable)				

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term Fund-based – Overdraft	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	Long-term - Term loans	July 2023	NA	July 2028	250.00	[ICRA]A- (Stable)
NA	Long-term - Overdraft	July 2023	NA	July 2028	(50.00)	[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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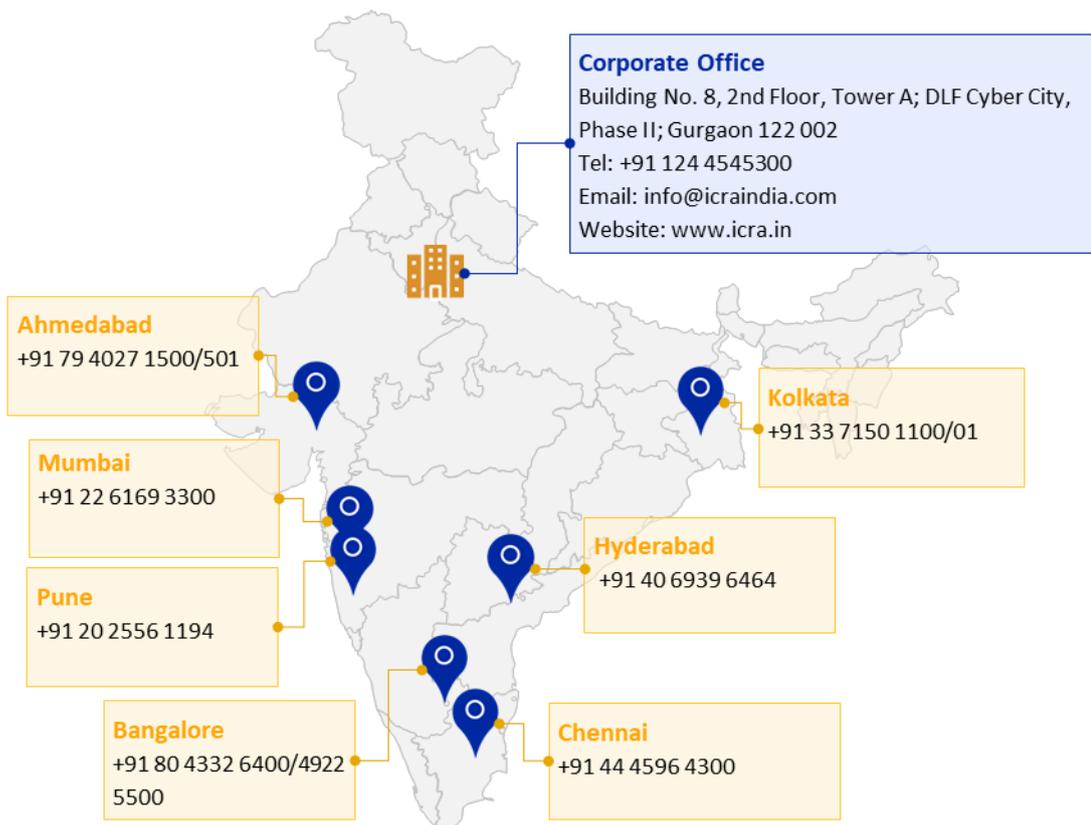
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