

December 29, 2017

## Embassy Property Developments Private Limited

### Summary of rated instruments

Instrument	Rated Amount (Rs. crore)	Rating Action
Non Convertible Debentures	554	[ICRA]BBB-(SO)& placed on rating watch with developing implications
Non Convertible Debentures	109	
Term loans	1,000	

& - Under watch with developing implications

### Rating action

ICRA has placed the long-term rating of [ICRA]BBB-(SO) (pronounced ICRA triple B minus SO) assigned to the Rs. 554-crore<sup>1</sup> and Rs. 109-crore non convertible debenture programmes and Rs. 1,000-crore term loans of Embassy Property Developments Private Limited (EPDPL) on 'rating watch with developing implications'.

### Rationale

The rating has been placed on 'rating watch with developing implications' following communication from EPDPL regarding proposed amendments to the terms of the Rs. 554 crore non convertible debenture programme, ahead of the scheduled repayment date. ICRA will conclude the rating within 30 days after evaluating the impact of the amendments.

### Outlook: Not Applicable

### Key rating drivers

### Credit strengths

**Established presence of Embassy group in the commercial real estate segment:** EPDPL is among the largest commercial real estate developers in the country, with investments in SPVs that operate business parks in locations such as Bangalore and Pune, with upcoming projects in Chennai and Hyderabad.

**Financial flexibility arising from EPDPL's commercial real estate portfolio:** EPDPL has significant financial flexibility resulting from its investments in the completed commercial real estate portfolio where it is planning a public listing of the assets through REIT.

**DSRA support for rated term loan:** The rated term loan carries a debt service reserve account (DSRA) covering three months interest payments which provides liquidity support in case of any cash flow mismatches.

<sup>1</sup> 100 lakh = 1 crore = 10 million

**Credit weaknesses**

**Further growth in portfolio under FMS segment critical:** The rated term loans of EPDPL will be repaid through the cash flows from the facility management services provided by the group companies of EPDPL. Any variation in the cash flows from this segment as compared to the base case projected scenario can affect the debt servicing capability of EPDPL with respect to the rated term loan.

**Slowdown in sales of units in the residential projects:** Cash flows from EPDPL's ongoing residential real estate projects have been weak in recent months on account of slow sales.

**Significant leveraging at the company level, which exposes it to high refinancing risk especially with respect to the NCDs:** EPDPL being the holding company for the group has availed significant debt for part funding its investments in various projects and SPVs of the group. These projects being in various stages of development and commercialization, EPDPL is exposed to high refinancing risk. The refinancing risks are heightened for the NCDs of the company which carry bullet repayments.

**Analytical approach:** For arriving at the ratings, ICRA has taken into account the identified cash flow security and specific terms for each of the rated instrument.

**Links to applicable criteria:**

[Corporate Credit Ratings: A Note on Methodology](#)

[Rating Methodology for Real Estate Entities](#)

[Approach for rating debt instruments supported by structural features \(Non-securitized transactions\)](#)

**About the company:**

Embassy Property Developments Private Limited (EPDPL) is the flagship company of Embassy Group - a leading real estate developer of South India - engaged in development of commercial, residential, and retail spaces. Promoted by Mr. Jitendra Virwani, EPDPL commenced operations in the real estate sector in 1993 under the name of Virwani Builders. The company name was subsequently changed to Embassy Property Developments Private Limited in April 2010.

The group, together with its promoters, has experience spanning 30 years in the real estate market. EPDPL along with its subsidiaries has an extensive land bank across the country and has developed over 37 million square feet (sq ft) of prime commercial, residential and retail space. A substantial portion of the group's rental space is leased by customers in the IT/ITES sector with majority of the completed projects in commercial portfolio is located in large business parks located in Bangalore and Pune. Out of the total real estate development, the group has completed over 6 million sq ft of residential space.

In FY2017, EPDPL on a standalone basis reported a net loss of Rs. 540 crore on an operating income of Rs. 247 crore according to provisional financials. In FY2016, EPDPL reported a net loss of Rs. 9 crore on an operating income of Rs. 518 crore.

**Key Financial Indicators**

	<b>FY 2016</b>	<b>FY 2017*</b>
Operating Income (Rs. crore)	517.9	247.5
PAT (Rs. crore)	-9.5	-539.6
OPBDIT/ OI (%)	7.5%	-140.8%
RoCE (%)	4.3%	-1.9%
Total Debt/ TNW (times)	4.1	2.9
Total Debt/ OPBDIT (times)	94.5	-16.3
Interest coverage (times)	0.2	-1.2
NWC/ OI (%)	176.0%	230.8%

\*FY2017 financials are provisional and as per IND-AS

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** None

**Rating history for last three years:**

**Table:**

S.No	Name of Instrument	Current Rating				Chronology of Rating History for the Past 3 Years		
		Type	Rated amount (Rs. Crores)	Outstanding amount (Rs. crore)*	Month-year & Rating	Month-year & Rating in FY2018	Month-year & Rating in FY2017	Month-year & Rating in FY2016
					<b>Dec 2017</b>	<b>Jul 2017</b>	<b>Jan 2017</b>	<b>Jun 2015</b>
1	Term Loan	Long Term	1000.0	600.0	[ICRA]BBB-(SO)& placed on rating watch with developing implications	[ICRA]BBB-(SO) (Stable)	-	-
2	NCD – I	Long Term	554.0	302.2		[ICRA]BBB-(SO) (Stable)	[ICRA]BBB-(SO) (Stable)	[ICRA]BBB-(SO) (Stable)
3	NCD – II	Long Term	109.0	98.4		[ICRA]BBB-(SO) (Stable)	[ICRA]BBB-(Stable)	-

\* Outstanding amount is as on March 2017

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity</b>	<b>Size of the issue (Rs. crore)</b>	<b>Current Rating and Outlook</b>
Non Convertible Debentures – I ISIN: INE003L07028	Apr 2014	8.55% (IRR)	Dec 2017	554	[ICRA]BBB-(SO)& placed on rating watch with developing implications
Non Convertible Debentures – II ISIN: INE003L07044	Dec 2014	12%	Dec 2021	109	
Term Loan	Dec 2016	-	Mar 2029	1000	

Source: Embassy Property Developments Private Limited

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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.

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