

May 04, 2020

## Cessna Garden Developers Private Limited (CGDPL): [ICRA]A+(CE) (Stable) rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	805.52	2,147.36	[ICRA]A+(CE) (Stable); reaffirmed
Unallocated facilities	365.00	-	
<b>Total</b>	<b>1,170.52</b>	<b>2,147.36</b>	

\*Instrument details are provided in Annexure-1

<b>Rating Without Explicit Credit Enhancement</b>	<b>[ICRA]A</b>
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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 above rating is based on the strength of the corporate guarantee provided by Prestige Estate Projects Limited (PEPL), the parent company of Cessna Garden Developers Private Limited (CGDPL), for the rated term loan programme. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

### Adequacy of credit enhancement

The rating of CGDPL takes into account the corporate guarantee provided by PEPL to the borrowing programme of CGDPL. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenure of the rated instrument. Given these attributes, the guarantee provided by PEPL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]A+(CE)** against the rating of [ICRA]A without explicit credit enhancement. In case the rating of the guarantor were to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

### Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- The guarantee is unconditional.
- The guarantee is irrevocable and enforceable against the Guarantors.
- In the event of failure of Borrower to repay the Loan Obligations, Guarantor shall forthwith on demand pay to the bank all monies due to the bank in respect of the aforesaid credit facilities and shall indemnify and keep the bank indemnified against all losses.
- The guarantee is continuing one for all the amounts advanced by the Lender to the Borrower.
- The bank has full liberty to call upon the Guarantors to pay full monies owed by the Borrower.
- In event of default by the Guarantor in honouring the Guarantee for repayment of banks dues, Bank shall be entitled to proceed against the Guarantor and declare them as 'Wilful defaulter' in accordance with the guidelines issued by RBI.

## Key rating drivers and their description

### Credit strengths

**Favourable location of project** – The Cessna Business Park is located on Marathahalli – Sarjapur Outer Ring Road in Bangalore. It is a prime area for commercial office space. The project has a total leasable area of 4.2 million square feet (mn sqft).

**Healthy occupancy of operating asset with reputed tenants** – The Cessna Business Park has healthy occupancy of close to 100% and is occupied by reputed multinational companies which include Cisco Systems India Private Limited (Cisco), Walmart, Cargill and HCL

**Established track record of the promoter in the real estate sector** - The Prestige Group has over 32 years of experience in real estate development and is one of the leading real estate developers in South India. The Group has completed 241 real estate projects, with developable area of close to 125 mn sqft as on date. It has developed a diversified portfolio of real estate projects, which include residential, commercial, hospitality and retail segments. The Prestige Group currently operates commercial office space with leasable area of more than 10 mn sqft.

### Credit challenges

**High tenant concentration** – The tenant concentration of Cessna Business Park is high with the top three tenants occupying 84% of the total available area. However, vacancy risk is mitigated to some extent as the largest tenant, Cisco has entered into a long-term lease agreement of 35 years (including renewal options). Moreover, the other tenants in the property are currently under lock-in period.

**Moderate debt coverage metrics** – The leveraging of the LRD loan is high and provides a moderate coverage of the rental income over the debt obligations. However, the risks are mitigated to some extent by the debt service reserve account (DSRA)<sup>1</sup> covering three month's debt obligations maintained by the company with the lenders of the rated LRD loan.

**Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels** - The debt coverage ratios are highly linked to changes in interest rates and reduction in occupancy levels. Any increase in interest rate or decline in occupancy levels might put pressure on the debt coverage metrics.

### Liquidity position: Adequate

PEPL's liquidity profile is supported by unencumbered cash and bank balances estimated to be around Rs. 1,200 crore as on March 2020. The company has access to undrawn LRD loan of over Rs 100 crore, apart from other sanctioned construction finance and capex loans which are available for drawdown for the identified projects. However, the Group has significant repayments in the current fiscal at around Rs. 1,613 crore (net of repayments already made during the year). The company will be reliant on refinancing to the extent of the corporate debt and construction loans availed for capex projects in the commercial real estate segment. Nevertheless, the annuity income portfolio provides financial flexibility to PEPL.

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<sup>1</sup> While the lender has the right to dip into the DSRA, the rated instrument does not have a DSRA invocation mechanism.

## Rating sensitivities

The rating assigned to the borrowing facilities of CGDPL would remain sensitive to any movement in the rating or outlook of the guarantor PEPL.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	<p>The rating assigned to CGDPL factors in the high likelihood of its parent, PEPL (rated [ICRA]A+ (Stable)), extending financial support to it because of close business linkages between them. We also expect PEPL to be willing to extend financial support to CGDPL out of its need to protect its reputation from the consequences of a group entity's distress. Moreover, PEPL has provided corporate guarantee to the borrowing programme of CGDPL.</p> <a href="#">Link to the last published rationale of the guarantor</a>
Consolidation/Standalone	<p>ICRA has evaluated the standalone operational and financial profile of CGDPL. In addition, the rating derives strength from the corporate guarantee provided by PEPL for the borrowings of CGDPL.</p>

## About the company

CGDPL is an SPV of the Prestige Group which operates Cessna Business Park, a technology park located on Marathahalli – Sarjapur Outer Ring Road in Bangalore. The park has 11 buildings totalling to leasable area of 4.2 mn sqft with eight buildings leased entirely to Cisco and the remaining three building leased to multiple tenants. The company also owns a hotel on the same premises, which is operated under the brand of "Aloft Hotels".

## About the guarantor

Prestige Estates Projects Limited is the flagship company of the Prestige Group. It started operations as Prestige Estates and Properties, a partnership firm, in 1986 and subsequently converted into a private limited company in 1997 and into a public company in 2009. The company is promoted by Mr Irfan Razack and his brothers, who together hold 65.5% of the shares. The remaining shares are held by institutional investors (33.3%) and other public shareholders (1.3%), as on March 2020.

Prestige Group has more than 32 years of experience in real estate development and is one of the leading real estate developers in South India. It has completed 241 real estate projects, with developable area of close to 125 mn sqft as on date. It has developed a diversified portfolio of real estate projects, focusing on residential, commercial, hospitality and retail segments. Besides, Prestige also offers a variety of services such as property management services, sub-leasing and fit-out services. Prestige has 45 ongoing projects across segments, with a total developable area of around 49 mn sqft. It also has 66 mn sqft of upcoming projects and holds a land bank with development potential of 29 mn sqft.

## Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	206.0	236.1
PAT (Rs. crore)	31.4	34.6
OPBDIT/OI (%)	81.9%	78.7%
RoCE (%)	14.5%	14.4%
Total Outside Liabilities/Tangible Net Worth (times)	-52.8	174.5
Total Debt/OPBDIT (times)	7.1	6.6
Interest Coverage (times)	1.6	2.0
DSCR (excluding short term debt and prepayments)	1.2	0.6

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

## Any other information:

CGDPL has opted for the moratorium on payments permitted by the RBI and has missed some of its debt payments due in March-April 2020 as part of the COVID-19 - Regulatory Package announced by the Reserve Bank of India (RBI) on March 27, 2020 even as a formal approval from the lender may be received subsequent to the original date of debt servicing. However, ICRA has not considered the above missed payment as a default. This is based on ICRA's expectation that a formal approval for rescheduling the loan would be received soon, as permitted by the RBI as part of the relief measures announced recently. Non-recognition of default in this case is as per the guidance provided by the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020. It may however be noted that if the lenders do not approve of the moratorium in due course, ICRA would review the above stance on default recognition.

## Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years				
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2019			FY2018
					04-May-2020	04-Apr-2019	07-Mar-2019	05-Nov-2018	06-Jul-2018	-
1	Term Loans	Long Term	2,147.36	2,017.49	[ICRA]A+(CE) (Stable)	[ICRA]A+(SO) (Stable)	[ICRA]A+(SO) (Stable)	[ICRA]A+(SO) (Stable)	[ICRA]A+(SO) (Stable)	-
2	Proposed term loans	Long Term	-	-	-	Provisional [ICRA]A+(SO) (Stable)	Validity of provisional rating extended	Validity of provisional rating extended	Provisional [ICRA]A+(SO) (Stable)	-

Amount in Rs. crore

## 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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loan - I	January 2020	-	January 2035	2,000.00	[ICRA]A+(CE) (Stable)
-	Term loan - II	December 2017	-	FY2030	147.36	[ICRA]A+(CE) (Stable)

Source: Cessna Garden Developers Private Limited

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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## About ICRA Limited:

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