April 27, 2020

Prestige Estates Projects Limited: Update on ratings

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Term loan	4,149.0	4,149.0	[ICRA]A+ (Stable) outstanding
Long Term – Non-fund based	351.0	351.0	[ICRA]A+ (Stable) outstanding
Non-convertible debentures	650.0	650.0	[ICRA]A+ (Stable) outstanding
Total	**5,150.0**	**5,150.0**	

Instrument details are provided in Annexure-1

Rationale

ICRA has ratings outstanding of [ICRA]A+ with stable outlook on the bank lines and non-convertible debenture programmes of Prestige Estates Projects Limited (PEPL). PEPL has diversified real estate operations with residential real estate, office leasing, retail malls and hospitality being the largest segments. On account of the ongoing lockdown because of Covid-19, ICRA expects the hospitality, retail mall and residential segments of PEPL to face near term cash flow disruption. The duration and breadth of the lockdown, which is still uncertain, followed by impact on the economy will also have a bearing on the medium-term outlook. Even with the resumption of regular operations, there could be lingering effects on the demand in these segments owing to increasing economic uncertainties, public health measures, evolving customer preferences and curtailment of discretionary spending.

These challenges notwithstanding, PEPL has strong liquidity, underpinned by fresh equity of Rs 900 crore that was raised in Q4 of FY2020 and remains largely unutilized, as well as undrawn credit lines sanctioned against lease rental income. PEPL has strong financial flexibility derived from its large portfolio of office leasing assets aggregating to 9.7 million square feet. These strengths are expected to offset the impact of cash flow disruptions in the near term. ICRA will continue to monitor the situation as it evolves over the coming weeks and its impact on the company and take appropriate rating action, if required. Currently, ICRA has taken note of the developments on this front and not taken any rating action.

PEPL has opted for the moratorium on payments permitted by the RBI and has missed some of its debt payments due in March 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.

The company's ratings on Rs 4,500 crore bank limits and Rs 650 crore non-convertible debentures (NCD) programme was last reaffirmed in November 2019. Please find below the link of the rating rationale.

Prestige Estates Projects Limited – Rationale dated 29th November 2019

Key rating drivers and their description

Updated information not available, refer to the previous detailed rating rationale on the following link for complete information: Click here

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 400 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.

Rating sensitivities

Rating triggers are as per the previous detailed rating rationale which can be found on the following link: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals Rating Methodology for Real Estate Entities
Parent/Group Support	Not applicable
Consolidation/Standalone	While assigning the ratings, ICRA has taken a consolidated view of PEPL along with its operational subsidiaries, joint ventures and associate companies on account of the strong business and financial linkages between these entities.

About the company

PEPL 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 has over 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 a developable area of close to 125 mn sqft. It has developed a diversified portfolio of real estate projects focusing on the 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 a development potential of 29 mn sqft.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	5,498.6	5,171.9
PAT (Rs. crore)	411.0	411.2
OPBDIT/OI (%)	23.2%	28.1%
RoCE (%)	13.2%	13.2%
Total Outside Liabilities/Tangible Net Worth (times)	2.8	5.5
Total Debt/OPBDIT (times)	5.8	5.8
Interest Coverage (times)	2.1	1.8
DSCR (excluding short term debt and prepayments)	1.5	1.0

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years				
		Type	Amount Rated	Amount Outstanding[1]	Rating	FY2020	FY2019			FY2018
					27-Apr-2020	29-Nov-2019	28-Feb-2019	06-Aug-2018	06-Jul-2018	29-Jan-2018
1	Term Loan	Long Term	4,149.0	3,365.3	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
2	Non-fund based	Long Term	351.0	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-	-	-
3	NCDs	Long Term	650.0	650.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)
4	Commercial paper	Short Term	400.0	Nil[2]	-	-	[ICRA]A1+ withdrawn	[ICRA]A1+	-	-

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

[1] *Amount outstanding is as on September-2019*

[2] *Commercial paper was closed in January-2019*

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date[3]	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loans	FY2013-FY2020[4]	-	May 2034	4,149.0	[ICRA]A+ (Stable)
-	Non-fund based facilities	-	-	-	351.00	[ICRA]A+ (Stable)
INE811K07026	NCD- 1	July 24, 2015	11.40%	July 24, 2020	300.0	[ICRA]A+ (Stable)
INE811K07067	NCD- 2	August 10, 2018	10.50%	August 10, 2023	350.0	[ICRA]A+ (Stable)

Source: Prestige Estates Projects Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Avyakth Cold Storages Private Limited	100.00%	Full Consolidation
Cessna Garden Developers Private Limited	85.00%	Full Consolidation
Dashanya Tech Parkz Private Limited	49.00%	Full Consolidation
Dollars Hotel & Resorts Private Limited	65.92%	Full Consolidation
I C B I (India) Private Limited	82.57%	Full Consolidation
K2K Infrastructure (India) Private Limited	75.00%	Full Consolidation
Northland Holding Company Private Limited	100.00%	Full Consolidation
Prestige Amusements Private Limited	51.02%	Full Consolidation
Prestige Bidadi Holdings Private Limited	99.94%	Full Consolidation
Prestige Builders and Developers Private Limited	99.99%	Full Consolidation
Prestige Construction Ventures Private Limited	100.00%	Full Consolidation
Prestige Exora Business Parks Limited	100.00%	Full Consolidation
Prestige Falcon Retail Ventures Private Limited	100.00%	Full Consolidation
Prestige Garden Resorts Private Limited	100.00%	Full Consolidation
Prestige Hospitality Ventures Limited	100.00%	Full Consolidation
Prestige Leisure Resorts Private Limited	57.45%	Full Consolidation
Prestige Projects Private Limited	99.99%	Full Consolidation
Prestige Retail Ventures Limited	100.00%	Full Consolidation
Prestige Shantiniketan Leisures Private Limited	100.00%	Full Consolidation
Sai Chakra Hotels Private Limited	100.00%	Full Consolidation
Sterling Urban Infra Projects Private Limited	80.00%	Full Consolidation
Village-De-Nandi Private Limited	100.00%	Full Consolidation
Albert Properties	88.00%	Full Consolidation
Eden Investments & Estates	77.50%	Full Consolidation
Prestige AAA Investments	51.00%	Full Consolidation
Prestige Altavista Holdings	60.00%	Full Consolidation

[3] *Represents the farthest maturity date among the various maturity dates for different term loans*

[4] *Represents loans sanctioned between FY2013 and FY2020*

Company Name	Ownership	Consolidation Approach
Prestige Habitat Ventures	99.00%	Full Consolidation
Prestige Hi-Tech Projects	92.35%	Full Consolidation
Prestige Interiors	97.00%	Full Consolidation
Prestige Kammanahalli Investments	51.00%	Full Consolidation
Prestige Nottinghill Investments	51.00%	Full Consolidation
Prestige Office Ventures	99.99%	Full Consolidation
Prestige OMR Ventures	70.00%	Full Consolidation
Prestige Ozone Properties	47.00%	Full Consolidation
Prestige Pallavaram Ventures	99.95%	Full Consolidation
Prestige Property Management & Services	97.00%	Full Consolidation
Prestige Southcity Holdings	51.00%	Full Consolidation
Prestige Sunrise Investments	99.00%	Full Consolidation
PSN Property Management and Services	50.00%	Full Consolidation
Silver Oak Projects	100.00%	Full Consolidation
The QS Company	98.00%	Full Consolidation
Prestige Valley View Estates LLP	51.05%	Full Consolidation
Prestige Whitefield Investment and Developers LLP	99.99%	Full Consolidation
Villaland Developers LLP	80.00%	Full Consolidation
West Palm Developments LLP	61.00%	Full Consolidation
Babji Realtors Private Limited	100.00%	Full Consolidation
CapitaLand Retail Prestige Mall Management Private Limited	100.00%	Full Consolidation
Prestige Garden Constructions Private Limited	100.00%	Full Consolidation
Prestige Mangalore Retail Ventures Private Limited	100.00%	Full Consolidation
Prestige Mysore Retail Ventures Private Limited	100.00%	Full Consolidation
Vijaya Productions Private Limited	50.00%	Equity Method
Thomsun Realtors Private Limited	50.00%	Full Consolidation
Prestige Realty Ventures	49.90%	Equity Method
Prestige City Properties	51.00%	Equity Method
Silverline Estates	30.33%	Equity Method
City Properties Maintenance Company Bangalore Limited	45.00%	Equity Method
Prestige Whitefield Developers	47.00%	Full Consolidation

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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