

February 23, 2023

Devas Global Services LLP: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term loans	680.00	[ICRA]BBB (Stable); assigned
Overdraft facilities#	(20.00)	[ICRA]BBB (Stable); assigned
Total	680.00	

*Instrument details are provided in Annexure-I

Overdraft Facilities are a sub limit of Term Loans

Rationale

The assigned rating favourably factors in the strong parentage of Devas Global Services LLP (DGSL) which is a 99.99% subsidiary of Puravankara Limited (rated [ICRA]A- with Stable outlook) and part of the Puravankara Group. 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 43 million square feet (mn sqft) of saleable area. DGSL is currently constructing a commercial office project with a leasable area of 1.2 mn sq ft. The rating considers the low approval risk for the project with all key approvals in place, and favourable location of the project at Kadigenahalli, on the International Airport Road in Bengaluru. The entire debt-tie-up is in place with a construction finance (CF) loan of Rs. 680.0 crore (including a takeover loan of Rs 66 crore). The total promoter contribution for the project is Rs 296.15 crore, of which Rs 166.20 crore has been brought in as on December 31, 2022. The entire IDC component on the project loan, along with the scheduled repayments for the takeover loan (commencing from February 2023) will be 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 arising from the nascent stage of construction with around 24% of the total construction cost being incurred as on December 31, 2022, and exposure to refinancing risk, given the bullet repayment structure of the Rs. 614.0-crore CF loan, which is due in April 2027. The firm's 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. The project is also exposed to market risk in the absence of any pre-leasing tie-ups, given the nascent stage of execution, and single asset concentration risk.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that the firm will be supported by favourable project location and strong parentage, which 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 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 43 mn sqft. 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.

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 the healthy demand for office space in the micro market.

Low approval risk; debt funding in place – The approval risk for the project remains low, with key approvals in place for construction. The budgeted project cost of Rs. 976.15 crore is estimated to be funded by a debt-to-equity ratio of 2.3:1. The entire debt tie-up is in place with construction finance (CF) loan of Rs. 680.0 crore (including a takeover loan of Rs 66 crore) and 56% of the equity requirement has been infused as on December 31, 2022.

Credit challenges

Project Implementation risk – The project has a scheduled date for commencement of commercial operations (DCCO) in June 2026. The project is currently at a nascent stage with around 24% of the total construction cost being incurred as on December 31, 2022, which exposes it to implementation risk. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun, given the established track record of the Puravankara Group.

Exposure to market risks; asset concentration risk – The firm has currently started with the excavation work for the project. There are no pre-leasing tie-ups at present which exposes it to market risk. However, the attractive location of the project, healthy demand for grade A office spaces and limited supply of the same in the micro-market mitigate the risk to some extent. The firm is also exposed to high geographical and asset concentration risks, which are inherent in single project special purpose vehicles.

Exposure to refinancing risk - The project cost is being funded through a Rs. 680.0-crore CF loan and the remaining through contribution from promoters. The firm is exposed to refinancing risk, as the term loan has a bullet repayment in April 2027, which is likely to be refinanced using an 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.

Liquidity position: Adequate

The firm's liquidity position is adequate with Rs. 4 crore of unencumbered cash as on January 31, 2023. The firm had Rs. 680-crore undrawn bank limits, as on December 31, 2022, which along with the balance equity commitments of Rs. 129.95 crore will be adequate to fund the pending project cost of Rs. 743.95 crore. The entire IDC component on the project loan, along with the scheduled repayments for the takeover loan (commencing from February 2023) will be funded by promoter contribution. 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 ratings if the firm achieves significant progress in leasing at adequate rental rates. The rating will be sensitive to the improvement in the credit profile of its parent.

Negative factors – Cost overrun or unforeseen delays in completing the project could exert pressure on the firm's ratings. Considerable delays in tying up leases and/or lower-than-expected rentals and/or delay in conversion of the construction finance CF loan into a lease rental discounting LRD loan may warrant a rating downgrade. The rating will also be sensitive to deterioration in credit profile of its parent.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals Rating Approach based on implicit support by Parent or Group
Parent/Group support	Parent: Puravankara Limited (PL) ICRA expects PL to extend extraordinary support to DGSLLP 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 commercial project 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 mn sq ft. The firm is currently planning to develop Phase 1, which is around 1.2 mn sq ft - divided in two blocks i.e Block D (3,80,463 sq ft) and Block B (8,34,448 sq ft).

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	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Feb 23, 2023	-	-	-
1 Term Loans	Long term	680.00	-	[ICRA]BBB (Stable)	-	-	-
2 Overdraft Facilities#	Long term	(20.00)	-	[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: www.icra.in

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	9.25%	April 2027	680.00	[ICRA]BBB (Stable)
NA	Overdraft Facilities [#]	November 17, 2022	9.25%	April 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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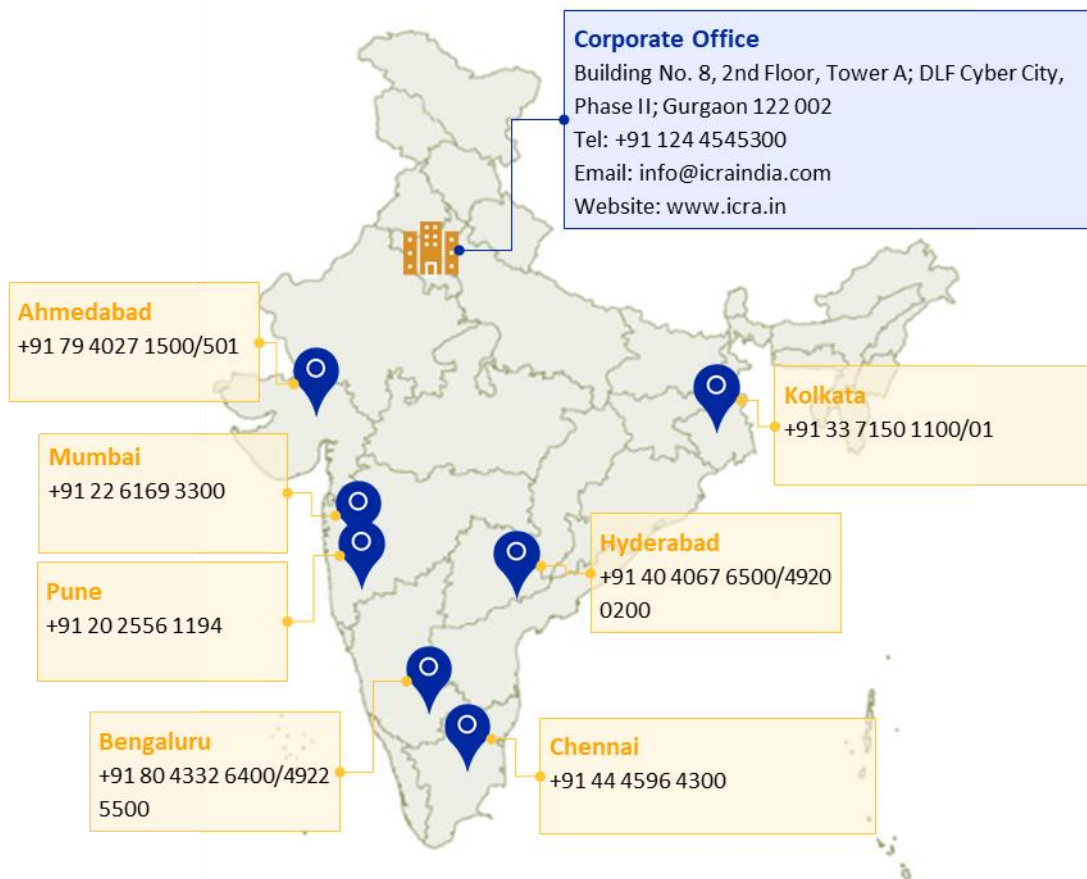
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