

March 24, 2023^(Revised)

Pandora Projects Pvt Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	525.0	525.0	[ICRA]A+(CE)(Stable); reaffirmed
Total	525.0	525.0	

Rating Without Explicit Credit Enhancement	[ICRA]BBB-
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*Instrument details are provided in Annexure-I

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 rating of [ICRA]A+ (CE) for the NCD of Pandora Projects Pvt Ltd (Pandora) is based on the strength of the corporate guarantee provided by Prestige Estates Projects Limited (PEPL/the guarantor, rated [ICRA]A+ (Stable)), one of the sponsors of Pandora Project Pvt Ltd (Pandora). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, PEPL.

Adequacy of credit enhancement

The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by PEPL is strong to result in an enhancement in the rating of the said instrument to [ICRA]A+(CE) against the rating of [ICRA]BBB- without explicit credit enhancement. If the rating of the guarantor or the Unsupported Rating of Pandora were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility as well. The rating of this instrument may also undergo a change in a scenario, whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity, or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

1. Until the entire debentures outstanding are redeemed in full, the company and the co-borrower, shall not, without prior written consent of the debenture holders, enter into any borrowing arrangements, either secured or unsecured, with any other bank or financial institutions, nor undertake guarantee obligations.
2. The company and the co-borrower shall, at all times pursuant to creation of security/mortgage on the project property, ensure that the value of the security remains at least 1.5 times of the debentures outstanding at any point of time.

Key rating drivers and their description

Credit strengths

Corporate guarantee from Prestige Estates Projects Limited – The non-convertible debentures (NCDs) are backed by corporate guarantee from Prestige Estates Projects Limited (PEPL, rated [ICRA]A+ with Stable outlook). PEPL is among the leading real estate developers in the country with diversified real estate operations spanning residential, commercial and hospitality developments, apart from property management services. It holds 50% economic interest in the project being developed by Pandora and the co-borrower for the NCDs. The guarantee has trustee monitored payment mechanism designed to ensure that all payments under the NCDs are fully covered by the guarantee from Pandora. Proceeds from the Pandora, if required, would be available on or before the due date of payment on the NCDs.

Attractive project location – The proposed project is located in the Mahalakshmi area of Mumbai and involves development of leasable area of 1.7 million sq. ft. of office space (of which 50% share will be attributable to PEPL). The attractive project location and PEPL's track record in commercial real estate development are expected to support the project viability and return metrics.

Credit challenges

High execution risk with project at nascent stages of development – The company has completed the pre-construction steps including securing clear land title and all other regulatory approvals for commencement of construction. However, the project is still exposed to construction risk as it is in the nascent stages of development and is exposed to funding and market risks.

Liquidity of the Guarantor: Adequate

At the guarantor level, PEPL's liquidity profile is adequate, supported by cash balances of around Rs. 1,312.5 crore as on September 30, 2022 and sufficient cash flow from operations. The company has Rs. 645.0 crore and Rs. 959.0 crore of scheduled debt repayment at the Group level in FY2023 and FY2024, respectively. The repayment of the lease rental discounting (LRD) loans and residential project loans are expected to be adequately covered by the associated operational cash flows.

Liquidity position of Pandora: Stretched

The company's liquidity position is stretched due to the initial stage of project development and limited visibility on operational cash flows. Pandora will primarily remain dependent on funding support from its sponsors for the timely construction of the commercial building, apart from the construction finance limits/customer advances from sale of space in the project.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is an improvement in the credit profile of the guarantor.

Negative factors – The rating could be downgraded if there is any significant delay in construction or if there is any deterioration in the credit profile of guarantor or any weakening of linkages with the guarantor, PEPL.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating approach – LRD Rating approach – explicit third-party support Rating approach – Consolidation
Parent/Group Support	The assigned rating draws comfort from the unconditional and irrevocable guarantee extended by the parent company, Prestige Estates Projects Limited. Click here for guarantor's PR
Consolidation/Standalone	Consolidated: Pandora Projects Private Limited with Turf Estate Joint Venture LLP (Turf). Turf is again a JV between Prestige Falcon Realty Ventures Private Limited (subsidiary of PEPL) and DB Realty Limited. The funds for the projects are raised in Pandora, whereas the development rights for the project are held by Turf.

About the company

Pandora Projects Pvt Ltd (Pandora) is a private limited company, which was incorporated in 2014. Pandora did not have any material business operations or assets till FY2020. In FY2021, it became a joint venture between Prestige Estates Projects Limited (PEPL) and D B Realty Limited (DBRL). The company, along with another entity called Turf Estate Joint Venture LLP (co-borrower for proposed NCD) is developing a commercial real estate project in Mahalakshmi, Mumbai.

Key financial indicators

Not applicable as it is a project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Dec 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					Mar 24, 2023		Mar 26, 2021	Mar 23, 2021	
1	Non-convertible Debenture	Long-term	525.0	462.1	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	[ICRA]A+(CE) (Stable)	Provisional [ICRA]A+(CE) (Stable)	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-convertible Debenture	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: [Click Here](#)

Annexure I: Instrument details:

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INEOGVT07010	NCD	FY2021	16.54%	FY2026	235.0	[ICRA]A+(CE)(Stable)
INEOGVT07028	NCD	FY2021	16.54%	FY2026	290.0	

Source: Company

Annexure II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Pandora Projects Private Limited	-	Full Consolidation
Turf Estate Joint Venture LLP	Co-borrower with common shareholders	Full Consolidation

Corrigendum

Document dated March 24, 2023 has been corrected with 'Rating approach- Consolidation' being added to Analytical approach section.

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