

Press Release

Embassy Property Developments Private Limited

May 16, 2023



Rating Upgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	1140.00	Not Applicable Withdrawn	-
Non Convertible Debentures (NCD)	2365.00	PP-MLD ACUITE B+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	2365.00	-	-
Total Withdrawn Quantum (Rs. Cr)	1140.00	-	-

Rating Rationale

Acuite has upgraded its long term rating to '**PP-MLD ACUITE B+**' (read as **Principal Protected - Market Linked Debentures ACUITE B plus**) from '**PP-MLD ACUITE C**' (read as **Principal Protected - Market Linked Debenture ACUITE C**) on the Rs.2,365.00 Cr Principal Protected - Market Linked Debentures (PPMLDs) of Embassy Property Developments Private Limited (EPDPL).

Acuite has withdrawn its rating on the Rs.1140 Cr Principal Protected - Market Linked Debentures (PP-MLD) of Embassy Property Developments Private Limited (EPDPL) out of which Rs. 340 Cr were Proposed PP-MLDs, and balance Rs.800 Cr were the Issued PP-MLDs which stand repaid as on date.

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the No Dues Letter received from debenture trustee.

Rationale for Rating upgrade

The rating upgrade is on account of curing of default as reflected by timely servicing of debt obligations by EPDPL over the last four months. The rating is however, constrained by the tight liquidity position of the company. The company's near term repayment obligations range between Rs.300-500 crore while the estimated cash accruals by way of dividend and project management commission income from REIT is expected to be around ~Rs.320 Cr and balance ~Rs. 380 Cr is expected from the planned monetization of assets. Acuite believes that any delays in monetization plans can significantly impair the liquidity profile of the Company. The rating also factors the improvement in the financial risk profile of the Company on account of deleveraging of the balance sheet. The total debt of EPDPL (excluding inter-corporate deposits from group companies) which stood at Rs. 4137.25 Cr as on June 30, 2022 has come down to Rs. 3358.05 Cr as on March 31, 2023. Going forward, the Company's ability to ensure timely execution of monetization plans and consequent reduction in its total debt shall remain a key rating monitorable.

About the Company

Embassy Property Developments Private Limited (EPDPL) was incorporated in 1996 and flagship company of leading real estate Embassy Group, based out of Bangalore. EPDPL is engaged in development of commercial, residential and retail projects.

About the Group

Embassy Group was incorporated in 1993 by Mr. Jitendra Virwani. The group is one of the leading real estate developer. The group has developed 55+ Million Sq. Ft. In its legacy of expertise spanning 25 years, Embassy Group has covered the entire value chain of real estate from land acquisition to the development, marketing and operation of assets. In addition, the Embassy group owns properties in the hospitality segment and is developing industrial parks and warehouses across India. It also has an extensive land bank of 1000+ acres across India. The operation spread across Indian and international markets that include Bangalore, Chennai, Pune, Coimbatore, Trivandrum, Serbia and Malaysia. The group from time to time partners with several established market players like, Blackstone, Warburg Pincus, Taurus Investments as well as different financial institutions to execute projects.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of EPDPL to arrive at the rating

Key Rating Drivers

Strengths

Established presence of Embassy group in the commercial real estate segment

The Embassy group is among the largest commercial real estate developers in the country. EPDPL is engaged in development of commercial, residential and retail projects. The group has business parks in locations such as Bangalore and Pune, with upcoming projects in Chennai, and Trivandrum. The group has developed 55+ Million Sq. Ft. In its legacy of expertise spanning 25 years, Embassy Group has covered the entire value chain of real estate from land acquisition to the development, marketing and operation of assets. In addition, the Embassy Sponsor owns properties in the hospitality segment.

Demonstrated financial flexibility arising from EPDPL's investments, including Embassy REIT

EPDPL, being the flagship company of the group, has moderate financial flexibility resulting from its investments in the completed commercial real estate portfolio, including its stake in Embassy REIT providing recurring dividend income to EPDPL. In addition, the group sold some of the assets to pare its debt which resulted into a cash inflow of ~Rs.260 Cr.

Support from group entities and adequate asset coverage

The rating also draws strength from the free cash flow generation from group entities, including the facility management services and common area management companies of the group, which are also the co-borrowers to some of the loans of the company. The asset coverage available against the entire Principal Protected Non - convertible debentures is more than 1.5 times.

Weaknesses

Susceptibility of delay in planned monetization of assets and refinancing risk

EPDPL's total debt consists of construction finance, NCDs, term loans from banks, NBFCs, and also and inter corporate deposit from group companies totalling to Rs. 5276.78 Cr as on March 31, 2022. The subdued market scenario in the real estate sector in Bangalore since the last few years had affected the cash flows from the existing projects leading to higher dependence on the refinancing of the external bank debt. However, the company has successfully refinanced its existing debt obligations in past. As on March 31, 2023 out of the

total debt outstanding of the company, Rs. 476 Cr is due for repayment in FY24, Rs. 150 Cr in FY25 and Rs. 635 Cr in FY26. EPDPL plans to either monetize its assets and prepay the debt or refinance a part of the debt prior to their due dates. Acuité believes that timeliness and adequacy of such refinancing and monetization measures, resulting into easing of its liquidity position remains a key rating sensitivity factor.

Susceptibility to cyclical and regulatory risks impacting real estate industry

EPDPL is exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has had a cascading effect on the overall financing costs. Given the high degree of financial leverage the high cost of borrowing inhibits the real estate developers' ability to reduce prices. Further, the industry is exposed to regulatory risk which is likely to impact players such as EPDPL, thereby impacting its operating capabilities.

ESG Factors Relevant for Rating

EPDPL undertakes multiple CSR activities and has an existing CSR policy. In FY22, the company has supported for implementing holistic health and hygiene program with focus on preventive healthcare, nutrition and sanitation at government schools in Bangalore. Further, Embassy Group is engaged in multiple ESG initiatives including supporting government schools in Bangalore, public spaces clean up in Bangalore, installation of segregated garbage bins in Bangalore CBD, transformation of 101 under fly-over pillars, among others. Additionally, all the projects undertaken by Embassy Group have IGBC Green Gold Certification or higher. Embassy group has an active engagement towards improvising education, sustainable infrastructure, community engagement and corporate connect. The group aims to facilitate students of Government Schools with a safe learning environment for skill development through holistic interventions in Education, Health and Infrastructure. It has supported more than 85 government schools through educational and infrastructure interventions, build around 10 new government schools amongst others. Embassy group drives positive change by providing infrastructure-based solutions with new frontline services for environmental sustainability and community healthcare, it promotes grassroot results to global problems in the communities it is a part of. Embassy group is a proud partner of TAICT's (The Anonymous Indian Charitable Trust) Ecogram Waste Management Project, which aims to catalyse communities to develop and implement strategic infrastructure for sustainable environmental management. It has completed several initiatives of public spaces clean-up, installation of segregated garbage, mobile cancer detection unit amongst others.

Rating Sensitivities

- > Timely execution of planned monetization of assets
- > Improvement in the capital structure of the Company

Material covenants

None

Liquidity Position Stretched

The group operates in real estate business, which to a large extent is illiquid and highly cyclical and it usually takes time monetize these assets. The existing debt of the group includes loans obtained for general corporate purpose and acquisition and are susceptible to refinancing risk. The group in the past has been able to demonstrate moderate financial flexibility and ability to borrow against the value of its investments in various commercial real estate assets and investments. However, these debt obligations are due for repayment in the near to medium term and EPDPL plans to service these obligations vide monetization of its assets or refinancing of debt. The company's near term repayment obligations range between Rs.300-500 crore while the estimated cash accruals by way of dividend and project management commission income from REIT is expected to be around ~Rs.320 Cr and balance ~Rs. 380 Cr is expected from the planned monetization of assets.

Outlook: Stable

Acuité believes that EPDPL will maintain a 'Stable' outlook over medium term on account of established market position of Embassy group in the real estate industry and diversified cash flow streams. The outlook may be revised to 'Positive' in case the company generates higher-than-expected cash flows from planned monetization of its assets. Conversely, the outlook may be revised to 'Negative' in case of lower than expected decline in overall debt of the Company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	324.66	214.60
PAT	Rs. Cr.	(89.11)	3597.42
PAT Margin	(%)	(27.45)	1676.31
Total Debt/Tangible Net Worth	Times	1.70	1.83
PBDIT/Interest	Times	0.93	4.85

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Dec 2022	Proposed Principal Protected Market Linked Debentures	Long Term	160.00	ACUITE Provisional PP-MLD C (Reaffirmed)
	Proposed Principal Protected Market Linked Debentures	Long Term	180.00	ACUITE Provisional PP-MLD C (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD C (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD C (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	260.00	ACUITE PP-MLD C (Assigned)
	Principal Protected Market Linked Debentures	Long Term	750.00	ACUITE PP-MLD C (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD C (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD C (Reaffirmed)
30 Nov 2022	Principal Protected Market Linked Debentures	Long Term	420.00	ACUITE Provisional PP-MLD C (Assigned)
	Principal Protected Market Linked Debentures	Long Term	180.00	ACUITE Provisional PP-MLD C (Assigned)
11 Nov 2022	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Principal Protected Market Linked Debentures	Long Term	750.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
06 Sep 2022	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Non Convertible Debentures	Long Term	2.84	ACUITE BBB- (Withdrawn)
	Principal Protected Market Linked Debentures	Long Term	750.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
02 Aug	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BBB Negative (Reaffirmed)

2022	Principal Protected Market Linked Debentures	Long Term	750.00	ACUITE PP-MLD BBB- Negative (Reaffirmed)
	Non Convertible Debentures	Long Term	2.84	ACUITE BBB- Negative (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
02 Aug 2021	Principal Protected Market Linked Debentures	Long Term	750.00	ACUITE PP-MLD BBB- Stable (Assigned)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	2.84	ACUITE BBB- Stable (Reaffirmed)
28 Jul 2021	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Proposed Principal Protected Market Linked Debentures	Long Term	750.00	ACUITE Provisional PP-MLD BBB- Stable (Assigned)
	Non Convertible Debentures	Long Term	2.84	ACUITE BBB- Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
30 Jun 2021	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non Convertible Debentures	Long Term	2.84	ACUITE BBB- Stable (Assigned)
27 Mar 2021	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE PP-MLD BBB Stable (Assigned)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BBB Stable (Assigned)
24 Mar 2021	Principal Protected Market Linked Debentures	Long Term	200.00	ACUITE Provisional PP-MLD BBB Stable (Assigned)
	Principal Protected Market Linked Debentures	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE Provisional PP-MLD BBB Stable (Assigned)
12 Jun 2020	Proposed Principal Protected Market Linked Debentures	Long Term	2100.00	ACUITE Provisional PP-MLD BBB Stable (Assigned)
14 Apr	Non Convertible Debentures	Long Term	1355.00	ACUITE BBB Stable (Assigned)
	Proposed Non Convertible	Long		

2020	Debentures	Term	745.00	ACUITE BBB (Withdrawn)
24 Mar 2020	Proposed Principal Protected Market Linked Debentures	Long Term	2100.00	ACUITE Provisional PP-MLD BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE003L07069	Principal protected market linked debentures	03 Apr 2020	15	02 Mar 2030	Complex	275.00	PP-MLD ACUITE B+ Stable Upgraded
Not Applicable	INE003L07077	Principal protected market linked debentures	03 Apr 2020	14.25	02 Mar 2030	Complex	1080.00	PP-MLD ACUITE B+ Stable Upgraded
Not Applicable	INE003L07184	Principal protected market linked debentures	30 Jul 2021	Not Applicable	30 Jul 2026	Complex	750.00	PP-MLD ACUITE B+ Stable Upgraded
Not Applicable	INE003L07200	Principal protected market linked debentures	09 Dec 2022	Not Applicable	07 Dec 2028	Complex	260.00	PP-MLD ACUITE B+ Stable Upgraded
Not Applicable	INE003L07150	Principal protected market linked debentures	26 Mar 2021	13.75	28 Apr 2023	Complex	600.00	Not Applicable Withdrawn
Not Applicable	INE003L07168	Principal protected market linked debentures	26 Mar 2021	13.75	28 Apr 2023	Complex	200.00	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	180.00	Not Applicable Withdrawn
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	160.00	Not Applicable Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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