



Press Release
Embassy Property Developments Private Limited
May 14, 2024

Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	2365.00	PP-MLD ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	2365.00	-	-

Rating Rationale

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

Rationale for the rating

The rating downgrade is on account of past delays in servicing of term loan obligations by EPDPL, established through the CRIF High mark report and verbal feedback received from its banker. The CRIF High mark reports continuous delays in servicing of debt obligations pertaining to a term loan facility for the period September 2023, October 2023, November, 2023. Subsequently, this facility under a court approved scheme of arrangement, has been shifted to another entity 'ESNP Property Builders and Developers Pvt Ltd' with effect from December 21, 2023. To confirm the timely servicing of bank debt obligation by EPDPL, Acuite had sought the bank statements and sanction letters from company, however, they have not been made available to it as on the date of this report. Further, Acuite takes note of regular servicing of obligations pertaining to the rated principal protected market linked non-convertible debentures by EPDPL as confirmed by the debenture trustee. In view of the available information and in line with Acuite's Criteria for Default Recognition, the rating has been downgraded due to instances of past default in the banking facilities.

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. 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.

Unsupported Rating

Not applicable

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.

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 2 times as on date.

Weaknesses

Instance of past delays in servicing of debt obligations

Instances past delays in servicing of term loan obligations by EPDPL were established through the CRIF High mark report and verbal feedback received from its banker. The CRIF High mark reports continuous delays in servicing of debt obligations pertaining to a term loan facility for the period September 2023, October 2023, November, 2023. Subsequently, this facility under a court approved scheme of arrangement, has been shifted to another entity 'ESNP Property Builders and Developers Pvt Ltd' with effect from December 21, 2023.

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, lease liabilities and inter corporate deposit from group companies totalling to Rs. 4578.41 Cr as on March 31, 2023. EPDPL plans to either monetize its assets and prepay the debt or refinance a part of the debt prior to their due dates. As on March 31, 2024 out of the debt outstanding last year, it has transferred part of its construction finance loan to its demerged entity and plans to repay ~Rs. 1000-1200 Cr of its outstanding debt by FY2026 vide its asset monetisation plan. 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
- > Timely servicing of all debt obligations

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 medium term and EPDPL plans to service these obligations vide monetization of its assets or refinancing of debt.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	270.53	324.66
PAT	Rs. Cr.	(1023.71)	(89.11)
PAT Margin	(%)	(378.41)	(27.45)
Total Debt/Tangible Net Worth	Times	2.17	1.70
PBDIT/Interest	Times	(0.21)	0.93

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

Not applicable

Any other information

Acuite has observed that EPDPL reported no defaults in its monthly 'No Default Statement (NDS)' submissions for September 2023, October 2023, and November 2023. However, the credit information bureau report indicates delays in a term loan facility during these months.

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, Acuite 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
16 May 2023	Principal protected market linked debentures	Long Term	600.00	ACUITE Not Applicable (Withdrawn)
	Principal protected market linked debentures	Long Term	200.00	ACUITE Not Applicable (Withdrawn)
	Principal protected market linked debentures	Long Term	275.00	ACUITE PP-MLD B+ Stable (Upgraded from ACUITE PP-MLD C)
	Principal protected market linked debentures	Long Term	1080.00	ACUITE PP-MLD B+ Stable (Upgraded from ACUITE PP-MLD C)
	Principal protected market linked debentures	Long Term	750.00	ACUITE PP-MLD B+ Stable (Upgraded from ACUITE PP-MLD C)
	Principal protected market linked debentures	Long Term	260.00	ACUITE PP-MLD B+ Stable (Upgraded from ACUITE PP-MLD C)
	Proposed principal protected market linked debentures	Long Term	180.00	ACUITE Not Applicable (Withdrawn)
	Proposed principal protected market linked debentures	Long Term	160.00	ACUITE Not Applicable (Withdrawn)
13 Dec 2022	Non-Coverible Debentures (NCD)	Long Term	260.00	ACUITE PP-MLD C (Assigned)
	Non-Coverible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD C (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	080.00	ACUITE PP-MLD C (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	600.00	ACUITE PP-MLD C (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD C (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	750.00	ACUITE PP-MLD C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	180.00	ACUITE Provisional PP-MLD C (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	160.00	ACUITE Provisional PP-MLD C (Reaffirmed)
30 Nov 2022	Proposed Non Convertible Debentures	Long Term	180.00	ACUITE Provisional PP-MLD C (Assigned)
	Proposed Non Convertible Debentures	Long Term	420.00	ACUITE Provisional PP-MLD C (Assigned)
11 Nov 2022	Non-Coverible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Non-Coverible Debentures (NCD)	Long Term	1080.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Non-Coverible Debentures (NCD)	Long Term	750.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Non-Coverible Debentures (NCD)	Long Term	600.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD C (Downgraded from ACUITE PP-MLD BB+ Stable)
	Non-Coverible Debentures (NCD)	Long Term	2.84	ACUITE BBB- (Reaffirmed & Withdrawn)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)

06 Sep 2022	Non-Convertible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Non-Convertible Debentures (NCD)	Long Term	1080.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Non-Convertible Debentures (NCD)	Long Term	750.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
	Non-Convertible Debentures (NCD)	Long Term	600.00	ACUITE PP-MLD BB+ Stable (Downgraded from ACUITE PP-MLD BBB Negative)
02 Aug 2022	Non-Convertible Debentures (NCD)	Long Term	2.84	ACUITE BBB- Negative (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	1080.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	600.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD BBB Negative (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	750.00	ACUITE PP-MLD BBB- Negative (Reaffirmed)
02 Aug 2021	Non-Convertible Debentures (NCD)	Long Term	2.84	ACUITE BBB- Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	1080.00	ACUITE Provisional PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	275.00	ACUITE Provisional PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	200.00	ACUITE Provisional PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	600.00	ACUITE Provisional PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	750.00	ACUITE Provisional PP-MLD BBB- Stable (Assigned)
28 Jul 2021	Non-Convertible Debentures (NCD)	Long Term	2.84	ACUITE BBB- Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	600.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	750.00	ACUITE Provisional PP-MLD BBB- Stable (Assigned)
30 Jun 2021	Non-Convertible Debentures (NCD)	Long Term	2.84	ACUITE BBB- Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures	Long		

	(NCD)	Term	600.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
27 Mar 2021	Non-Convertible Debentures (NCD)	Long Term	600.00	ACUITE PP-MLD BBB Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	200.00	ACUITE PP-MLD BBB Stable (Assigned)
24 Mar 2021	Non-Convertible Debentures (NCD)	Long Term	275.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	1080.00	ACUITE PP-MLD BBB Stable (Reaffirmed)
	Non-Convertible Debentures (NCD)	Long Term	600.00	ACUITE Provisional PP-MLD BBB Stable (Assigned)
	Non-Convertible Debentures (NCD)	Long Term	200.00	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	13.25	02 Mar 2030	Complex	275.00	PP-MLD ACUITE C Downgraded (from ACUITE PP-MLD B+)
Not Applicable	INE003L07077	Principal protected market linked debentures	03 Apr 2020	13.25	02 Mar 2030	Complex	1080.00	PP-MLD ACUITE C Downgraded (from ACUITE PP-MLD B+)
Not Applicable	INE003L07184	Principal protected market linked debentures	30 Jul 2021	13.25	30 Jul 2026	Complex	750.00	PP-MLD ACUITE C Downgraded (from ACUITE PP-MLD B+)
Not Applicable	INE003L07200	Principal protected market linked debentures	09 Dec 2022	13.25	07 Dec 2028	Complex	260.00	PP-MLD ACUITE C Downgraded (from ACUITE PP-MLD B+)

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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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