

## Press Release

### Phoenix Financial District Private Limited

April 05, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	425.00	ACUITE BBB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	425.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned its long-term rating of **'ACUITE BBB' (read as ACUITE Triple B)** on the Rs. 425.00 Cr bank facilities of Phoenix Financial District Private Limited (PFDPL). The outlook remains **'Stable'**.

The assigned rating favourably factors in the attractive location of the project, strong promoter profile and established track record of the group in the residential and commercial real estate sectors. The rating also takes into account the completed forward sale agreement with the Xander Group (Investor) at a predetermined sale consideration. Further the project is exposed to low execution risks as about 25% of the total project cost is yet to be incurred, while the commencement of commercial operations (DCCO), which is December 2022, provides adequate cushion for completing the project and funding risk remains low as the entire debt requirement been tied up. The rating, however, is constrained by market risks and the company is in advanced stages of discussion with a few prospective tenants and the conversion of the same remains a key monitorable.

## About the Company

Incorporated in 2018, Phoenix Financial District Private Limited (PFDPL) has entered into a registered long term perpetual lease arrangement with Phoenix Spaces Private Limited (PSPL) which is a 100% subsidiary of Phoenix Infratech (India) Private Limited. PFDPL is currently carrying out office space development under Project 285 Financial District, Hyderabad with a total leasable area of ~1.16 million Sft in land admeasuring 3 acres at Survey No. 285, Puppalaguda Village, Rajendranagar Mandal, Ranga Reddy District, Hyderabad, and Telangana for development of Tower 1 of the project. The total project cost of about Rs.607.00 Cr. The project is funded out of promoter's contribution of Rs.182 Cr (~30 percent of project cost) and bank funding of Rs.425 Cr (~70 percent).

## Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of PFDPL to arrive at rating.

## Key Rating Drivers

### Strengths

#### Established track record and strong business profile

PFDPL is part of the Phoenix Group which has an established track record in developing retail, commercial, malls and Special Economic Zones in South India over three decades. Mr. Suresh Chukkapalli is the founder Chairman of the Phoenix Group and Mr. Gopikrishna Patibanda (Chairman and Managing Director), who has more than two decades of experience in the realty segment. The management is ably supported by other directors and experienced team of professionals. The Phoenix Group has developed and delivered over 15 million sft of mixed-use spaces and has over 28 million sft of ongoing projects in various stages of development. The Group also enjoys a good presence in commercial real estate, and residential sectors in the Hyderabad real estate market. Acuité believes that the project will benefit from the construction capabilities and leasing expertise of the promoters.

#### Limited funding and execution risks

The construction of the Project '285 Financial District' started in April 2019 and is expected to be completed by December 2022. The total developer leasable area of the aforesaid project is 1.16 million square feet with a total project cost of ~Rs.607 Cr. It is expected to be funded through Rs.425 Cr (~70 percent) of debt and promoter contribution 182 Cr (~30 percent). As on January 31, 2021 PFDPL incurred a total cost of about Rs. 451 Cr (~75 percent) as compared to the total project cost of ~Rs. 607 Cr. The funding risk of the project remains low as the entire debt requirement has been tied up and 83 % of the committed promoter contribution has already been infused. The project is in its advance stage of execution, PFDPL has completed around 75 percent of construction as on January 31, 2022 and it has adequate buffer is available for the DCCO (December, 2022). PFDPL has deployed reputed contractors-Shapoorji Pallonji, Eversendai Construction among others which mitigates execution risks to some extent. Acuité believes that the project is in advance stage of construction and with 100 percent funding tied, the timely construction of the project without any major cost overruns along with successful lease tie-ups will be critical to the company's monetization plans.

#### Favourable project location and forward sale agreement with solid investor

The attractive location of the project in IT/ITes SEZ, close proximity to various IT office parks and corporate offices and with a well-developed social infrastructure enhances the marketability of the project result in timely lease tie-ups and asset monetisation. The project is 100% pre-sold to Xander Group, a Singapore-based investor that currently owns and operates over 11.50 million SF offices in Level 1 cities in India and guaranteed repayment of the proceeds of the Xander sale. Since 2005, Xander has made investments of over US\$ 5 billion in private and public equity, credit, and real estate assets, companies, and operating platforms.

### Weaknesses

#### Exposure to market risk

The company is exposed to market risk as leasing tie ups are yet to finalise, the company is in advanced stages of discussion with a few prospective tenants and the conversion of the same remains a key monitorable. The bullet repayment requirement for the construction finance facility, which is due after one year of the DCCO. The company will have to arrange adequate funding in a timely manner either by raising lease rental discounting (LRD) loans or conclusion of sale process with Xander Group.

#### Exposure to inherent cyclicity in the real-estate industry

Being a cyclical industry, the real estate is highly dependent on macro-economic factors which make the company's sales vulnerable to any downturn in the real-estate demand and competition within the region from various established developers.

## ESG Factors Relevant for Rating

Not Applicable

## Rating Sensitivities

- Successful lease tie-ups at remunerative rates
- Timely monetisation of the asset, results in significant reduction in debt
- Lower-than-anticipated operational cashflows

## Material covenants

None

## Liquidity position: Adequate

PFDPL's liquidity is adequate, as on January 31, 2022, PFDPL had Rs. 77 Cr undrawn bank limit for the construction of the project compared to the pending cost of ~Rs. 156 Cr. The interest will be funded by the sanctioned debt facility and there are no principal repayments scheduled till January, 2024.

## Outlook: Stable

Acuité believes that PFDPL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience and forward sale agreement with Xander Group. The outlook may be revised to 'Positive' in case of early payment of its loan obligations while maintaining its cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its receivables leading to deterioration of its financial flexibility and liquidity.

## Other Factors affecting Rating

Not Applicable

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	(0.06)
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	39.59	5.31
PBDIT/Interest	Times	0.00	0.00

## 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

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History:

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Term Loan	04-01-2022	9.50	04-01-2024	25.00	ACUITE BBB   Stable   Assigned
Axis Bank	Not Applicable	Term Loan	04-01-2022	9.50	04-01-2024	400.00	ACUITE BBB   Stable   Assigned

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### About Acuité Ratings & Research

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