Press Release

Phoenix Financial District Private Limited

June 26, 2023

Rating Reaffirmed

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

Rating Rationale

Acuité has reaffirmed 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'**.

Rationale for rating reaffirmation

The rating reaffirmation factors in the strategic location advantage of the project, strong promoter profile and established track record of the group in the residential and commercial real estate industry. The rating also takes into account the completed forward sale agreement with the Xander Group (Investor) at a predetermined sale consideration of the project after leasing out ~60% the premises to tenants. Furthermore, the project is fully completed and the company has already obtained the occupancy certificate from the respective authorities on time. The rating, however, is constrained by market risks and the company is in advanced stages of discussion with a few prospective tenants and conversion of the same will remain a key monitorable going ahead. Acuité also takes note of the bullet repayment of the project loan undertaken by the company for the project by March 2024 and timely repayment of the same will remain a key rating sensitivity for the company.

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 has currently carried out office space development under Project 285 Financial District, Hyderabad of Tower 1 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. The total project cost is 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

Acuité has considered standalone business and financial 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 reality 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.

Completion of the project on time

The construction of the Project 285 Financial District' started in April 2019 and was completed by December 2022 (only few interior parts are remaining) and also received the occupancy certificate from the authorities within the stipulated timelines. The total leasable area of the aforesaid project is ~1.2 million square feet with a total project cost of ~Rs.607 Cr. It is funded through Rs.452 Cr (~70 percent) of debt and promoter contribution 182 Cr (~30 percent). As on March 31, 2023 PFDPL incurred a total cost of about Rs. 566.86 Cr (~93 percent) as compared to the total project cost of ~Rs. 607 Cr. The company has a bank balance of ~Rs. 35 crore as on date which utilised solely for the purpose of servicing interest repayments. PFDPL has a contractual agreement with Xander group stipulating that upon reaching a lease occupancy rate of 60% for the building, they will proceed with the acquisition of the asset. with a few prospective tenants and if the deal successfully materialises, the company will be able to sell the asset to Xander group by December 2023.
Acuité believes as the company is in advanced stages of discussion with a few prospective tenants, the conversion of the same will remain a key monitorable.

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 risks

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 is due on March 2024. The company will have to arrange leasing tie ups for the conclusion of sale process with Xander Group.

Exposure to inherent cyclicality 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.

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 May 31, 2023, PFDPL incurred a total cost of about Rs. 566.86 Cr (~93 percent) as compared to the total project cost of ~Rs. 607 Cr. The company has a bank balance of ~Rs. 35 crore as on date which will be utilized solely for the purpose of servicing interest repayments and the principal repayments which are due in March 2024 will be made from the sale proceeds from Xander.

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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.04	0.00
PAT	Rs. Cr.	0.08	(0.01)
PAT Margin	(%)	207.85	0.00
Total Debt/Tangible Net Worth	Times	2.27	4.95
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

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
05 Apr 2022	Term Loan	Long Term	25.00	ACUITE BBB | Stable (Assigned)
	Term Loan	Long Term	400.00	ACUITE 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
Axis Bank	Not Applicable	Term Loan	Not available	10.95	Not available	Simple	225.00	ACUITE BBB | Stable | Reaffirmed
Aditya Birla Finance Limited	Not Applicable	Term Loan	Not available	10.95	Not available	Simple	50.00	ACUITE BBB | Stable | Reaffirmed
Catholic Syrian Bank	Not Applicable	Term Loan	Not available	10.95	Not available	Simple	40.00	ACUITE BBB | Stable | Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	9.50	Not available	Simple	110.00	ACUITE BBB | Stable | Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Khushi Shah Analyst-Rating Operations Tel: 022-49294065 khushi.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.