



Press Release
PHOENIX TECH ZONE PRIVATE LIMITED
January 27, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	815.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	815.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple Bo**)n the Rs.815.00 crores proposed bank facilities of Phoenix Tech Zone Private Limited (PTZPL). The outlook is ‘**Stable**’.

Rating Rationale

The rating assigned factors in the experienced promoters and strong parentage of the company. Further, the rating also draws strength from reputed lessee profile consisting of IT companies, and long-term lease agreements with ~ 90 per cent occupancy which mitigates offtake risk and gives revenue visibility in near to medium term to an extent. The rating also draws comfort from the project execution ability of the company reflected in the past completed projects and adequate cash flow position marked by above unity project DSCR during the tenure of the loans. However, the rating is constrained due to refinancing risk and risk associated with timely renewal of lease agreements couple with occupancy of the vacant space. The rating also factors in the exposure to inherent cyclicity in the real estate industry.

About the Company

Incorporated In 2014, Phoenix Tech Zone Private Limited (PTZPL), is engaged in the construction of IT/ITES SEZ, commercial projects in Hyderabad. The company is currently carrying out office space development under project Centaurus with leasable area of 2.14 million SFTout of which 0.51 million SFT belongs to landowners and remaining belongs to PTZPL and other projects associated with PTZPL are Aquila and B-Hub which are already completed and generating cashflows in financial district, Hyderabad. The directors of the company are Mr. Gopi Krishna Patibandaand Mr. Jagadeesh Babu Ramanathan.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profile of PTZPL to arrive at rating.

Key Rating Drivers

Strengths

Strong parentage and established track record of operations

Phoenix Tech Zone Private Limited (PTZPL), incorporated in 2014 is engaged in the construction of IT/ITES SEZ, commercial projects in Hyderabad. The group specializes in the development of IT/ITES Special Economic Zones, retail malls, residential and commercial complexes, automobile dealerships, and educational infrastructure. The Phoenix Group has developed and delivered over 24 million SFT of mixed-use spaces and has over 24 million SFT.

of ongoing projects in various stages of development. Under PTZPL, the group is carrying out office space development under project Centaurus in financial district, Hyderabad. Centaurus has 3 basements + ground floor + 5 Stilts + 17 office floors with a total space of 2.14 million SFT under a Joint Development Agreements with

landowners, Phoenix share is from Floor 1st -13th admeasuring 1.63 million SFT, while floors 14th – 17th belongs to landowner which the company has developed and successfully handed over to the landowners. Other projects associated with PTZPL are Aquila and B-hub which are successfully completed and are generating cashflows.

Acuite believes the company will continue to benefit from its strong parentage, established track record of operations in the medium to long term.

Low execution & offtake risk

The project Centaurus has completed the construction with a total leasable area of ~2.14 million SFT. As per the JDA with the landowners they have successfully completed their obligation towards landowners. Out of the total leasable area 1.63 million SFT belongs to PTZPL i.e., 1st-13th Office Floors, vacant space available for leasing as on date stands is 0.87 million SFT. Out of the available vacant space the company has received Letter of Intent (LOI) for leasing an area of 0.73 million SFT confirms occupancy level of around more than 90 percent. The company is an advance stage of discussion with certain parties for getting the vacant space leased out in near to medium terms.

Adequate cashflow position

Project Centaurus has a leasable area of 1.63 million SFT with a vacant space of 0.87 million SFT. The company is going to take a bank loan for refinancing the existing loans availed for construction of project Centaurus. The DSCR for this project is estimated to remain above unity over the tenure of the loan with an average DSCR of ~1.58 times.

Weaknesses

Refinancing risk

The company has outstanding term loans of Rs.644.00 crores and LRD loan of Rs.166.00 crores which are due for repayment in December 2025. The company is in advance stages of discussion to refinance this existing debt by another bank debt of Rs.855.00 crores. While the refinancing risk prevails, the risk is partly mitigated since the company did refinance its debt in the past for other completed projects.

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.

Rating Sensitivities

- Timely refinancing of existing debt basis the proposed terms with prospective lender.
- Timely renewal of existing lease agreements and occupancy of the vacant space.
- Deterioration in cash flow position due to lower-than-expected rentals or higher than expected obligations towards debt repayment or operating expenses.

Liquidity Position

Adequate

The liquidity position of the company is marked adequate basis sufficient net cash accruals against repayment obligations. Company's DSCR is estimated to remain above unity over the tenure of loan at average DSCR of ~2.38 times. Further, with occupancy of vacant space, the company is estimated to generate additional liquidity.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	106.45	1314.68
PAT	Rs. Cr.	6.12	171.03
PAT Margin	(%)	5.75	13.01
Total Debt/Tangible Net Worth	Times	5.90	5.52
PBDIT/Interest	Times	1.38	2.32

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

None

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. Acuité'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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	815.00	Simple	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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