Piramal Agastya Offices Private Limited
(formerly known as PRL Agastya Private Limited)

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	639.27 (Reduced from 646.39)	CARE A+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in the rating of long-term bank facilities of Piramal Agastya Offices Private Limited (PAOPL), formerly known as PRL Agastya Private Limited, considers the healthy occupancy level of 99% as on August 31, 2024, slightly improved from 95% as on October-23. The improvement is attributable to additional space taken up by existing tenants and PAOPL's ultimate holding company Piramal Enterprises Limited (PEL). The rating continues to derive comfort from its strong linkages with the resourceful promoter, the Piramal group through Piramal Capital and Housing Finance Limited (PCHFL; rated 'CARE AA; Stable/CARE A1+'), and PCHFL's stated intent to provide funding support to PAOPL. Being a part of the Piramal group, PAOPL enjoys financial flexibility and better abilities of fundraising and refinancing. PAOPL also benefits from the experienced advisory board members at PEL and PCHFL and centralised treasury function. The rating also factors in strong tenant profile and favourable location of the property. However, these rating strengths are constrained by PAOPL's leveraged capital structure and moderate debt coverage metrics, agreement rollover risk, execution risk associated with under-construction project and competition from other commercial developments in this area.

CARE Ratings Limited (CARE Ratings) notes the reverse merger announcement between PEL and PCHFL, and the resultant company would be renamed as Piramal Finance Limited. PFL shall be listed before September 2025. This merger comes in light to adhere with RBI regulations and maintain simplified group structure with existence of single non-banking financial company – investment and credit company (NBCF-ICC) in the Piramal group.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving external debt to PBILDT below 4x and cash coverage ratio (CCR) above 1.30x on a sustained basis
- Improving credit profile of the parent company

Negative factors

- Weakening of the parent's credit profile or weakening of linkages with the parent or changing stance of support by the promoter.
- Significantly low cash flows, resulting in a lower CCR on a sustained basis.
- Further external borrowings deteriorating its capital structure and debt coverage indicators from the current levels.

Analytical approach: Standalone

For arriving at the rating assessment, the standalone approach is adopted by CARE Ratings. However, CARE Ratings has factored in the linkages with the parent – PCHFL, and strategic importance of the entity to the parent.

Outlook: Stable

CARE Ratings expects PAOPL's credit profile to remain stable, considering its strong parentage of Piramal group, healthy occupancy ratio, strong tenant profile, and ability to achieve envisaged rentals.

Detailed description of key rating drivers:

Key strengths

Strong and resourceful promoters and experienced management team

PAOPL is a wholly owned subsidiary of PCHFL and PEL being the ultimate parent company. PEL is the holding company of the Piramal group, headed by the Chairman, Ajay Piramal. The promoter group has presence in diversified businesses like financial

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

services through PEL, pharma (contract development and manufacturing organisation [CDMO], critical care, over-the-counter [OTC]) through Piramal Pharma Limited (PPL), and real estate development (through a separate company). PEL's Board of Directors comprises eminent individuals from the industry providing their experience and governance to the group. The senior management team comprises professionals heading verticals with adequate and relevant experience in their respective fields. The group has experience of lending in the real estate industry for over a decade and forayed into mortgage lending around six years ago.
CARE Ratings draws comfort from PCHFL's strong financial profile and stated intent to provide financial support of up to ₹350 crore to PAOPL in the form of unsecured loans. Being part of the Piramal group, PAOPL enjoys financial flexibility and better fundraising and refinancing abilities and benefits from the experienced advisory Board members at PEL and PCHFL.

Healthy occupancy level and strong tenant profile
PAOPL's occupancy level increased in the first half of FY25. Of the total leasable area of 7.44 lakh square feet (lsf), PAOPL leased out 7.36 lsf as on August 31, 2024, indicating an occupancy level of ~99%, which helps generate steady annual rental income. The occupancy level has improved from 95% during October-23. Tenants include marquee names from financial services and retail industries, which largely minimises the counterparty risk.

Favourable location of property
PAOPL has developed a commercial property, Agastya Corporate Park, in Kurla (West), Mumbai, located in close proximity of ~4 km to the Bandra Kurla Complex (BKC). BKC, being an important commercial hub in Mumbai, has evolved as a central business district over time. The property has good connectivity to railways lines in Mumbai, Western and Central Suburbs. It is also well connected by road to the Western Express Highway and Eastern Express Highway and the new Santacruz Chembur Link Road (SCLR).

Key weaknesses

Leveraged capital structure and low CCR
As on March 31, 2024, PAOPL had a total debt of ₹766.24 crore, which included long-term loans of ₹616.24 crore from banks and unsecured loans of ₹150 crore from PCHFL. During the year the company repaid a significant amount of unsecured loans through equity infusion by the parent company. Moreover, non-convertible preference shares were made compulsory convertible preference shares (CCPS), further improving the capital structure of the company to an extent. Due to the infusion of equity share capital and conversion to CCPS the net worth turned positive to ₹23.54 crore at the end of FY24, however the overall gearing remains high. The loan-to-value ratio (based on external debt) stood moderate at over 60% as on March 31, 2024.
Existing lease agreements are entered into at moderate rental rates when compared with other projects in the vicinity. This, and high debt commitments, cash coverage ratio of the company stands modest over the loan tenure. Further, CARE Ratings also notes that the unsecured loans from PCHFL have a bullet maturity falling due in December 2025. However, comfort is drawn from PCHFL's stated intent to support PAOPL in case of any cash flow mismatches.

Revenue concentration and agreement roll-over risks
While PAOPL has achieved an occupancy of around 99%, the tenant profile is concentrated, with the top three tenants occupying nearly 71% of the leased space. Apart from this, the agreements for about 58% of the leased area will be due for renewal in the next four years, including the current year of FY25. Weighted average lease expiry (WALE) remains moderate, at close to four years.
PAOPL's ability to renew such agreements or quickly identify a replacement in the event of vacancy, will remain crucial to maintain the revenue profile from the credit perspective. However, PCHFL's intention to occupy additional space in future mitigates this risk to some extent.

Execution risk related to new construction
The company is undertaking construction on a land parcel adjacent to current premises with a potential leasable area of 1 lsf. PAOPL plans to fund the said project with a construction finance loan and limited equity infusion by the parent company. The expected completion date of the project is June 2026. Timely fund raising to meet the completion date and adhering to the budgeted cost is considered a credit monitorable.

Competition from other commercial developers in the vicinity
The company faces competition from other commercial developers who are coming up with or have already developed commercial projects near Kurla. However, the company offers larger floor space and maintains a more affordable per-square-foot rental rate compared with the neighbouring commercial properties. This pricing and size differential helps alleviate this risk to a certain extent.

Liquidity: Adequate
While the cash flows are modest however adequate to meet debt obligations. Being part of the Piramal group, PAOPL enjoys healthy financial flexibility and better fundraising and refinancing abilities. PCHFL's audit committee has approved a limit of ₹350 crore to support PAOPL by way of inter-corporate deposits (ICDs). As on March 31, 2024, PAOPL had a cash balance of ₹15.34 crore. Furthermore, PAOPL has created a debt service reserve account (DSRA) equivalent to one months' principal and interest

servicing in the form of fixed deposits (FDs). PAOPL has also been sanctioned an overdraft (OD) limit of ₹25.00 crore and the unutilised portion of the limit provides additional cushion.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Factoring Linkages Parent Sub JV Group
Rating methodology for Debt backed by lease rentals

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

PAOPL (CIN No. U45201MH2006PTC165659), incorporated on November 20, 2006, is engaged in leasing commercial space. PCHFL had acquired a 100% stake in PAOPL on December 12, 2022, from PRL Developers Private Limited. The acquisition was made with an intention to acquire the office space, which would take care of PCHFL's current and future office space requirements.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	53.46	92.06
PBILDT	25.40	68.76
PAT	0.87	-14.23
Overall gearing (times)	NM	32.55
Interest coverage (times)	0.41	0.85

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	25.00	CARE A+; Stable
Term Loan-Long Term		-	-	15/12/2034	614.27	CARE A+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	614.27	CARE A+; Stable	-	1)CARE A+; Stable (02-Nov-23)	-	-
2	Fund-based - LT-Bank Overdraft	LT	25.00	CARE A+; Stable	-	1)CARE A+; Stable (02-Nov-23)	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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