

**Developer grading rationale**  
**October 22, 2020, Bengaluru**  
**Prestige Estates Projects Ltd**

Developer grading	DA1
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**Valid till:** October 21, 2021

**Detailed rationale**

CRISIL has reaffirmed its real estate developer grading of 'DA1' on Prestige Estates Projects Ltd (PEPL). The grading indicates that the developer's ability to execute real estate projects as per the specified quality level and within the stipulated time schedule, and to transfer a clean title, is 'Excellent'.

The grading continues to reflect the company's strong brand image, goodwill in the real estate market, well-diversified presence in residential, commercial, retail and hospitality real estate segments, prudent land acquisition strategy with standardised work flow processes and systems, and sound marketing and project development strategy. Liquidity is comfortable, driven by healthy bookings for ongoing projects and timely receipt of customer advances.

These strengths are partially offset by aggressive development plans (it has ongoing projects totalling 49.60 million square feet, to be executed over the years, and planned projects totalling 55.51 million sq ft<sup>1</sup>). The grading also factors in the exposure to revenue concentration risks due to the focus on high-value projects in Bengaluru.

A fully functional enterprise resource planning package set up across business divisions in real estate helps the Prestige group (of which PEPL is a part) successfully manage the current scale of operations. The promoter only participates in strategic, organisational and land acquisition-related decision-making meetings; operational decisions are taken by the second line of management.

The company has a track record of over three decades, having executed 247 projects involving the development of 134.30 million sq ft across real estate segments – residential (apartment complexes, row houses, villas), commercial (offices, technology parks, special economic zones, customised offices), plotted development, retail and hospitality. The grading also reflects the group's experience in developing projects across segments, and its sound development and marketing strategies. Its land acquisition strategy involves outright purchase of land and establishment of clear ownership titles. The developer has delivered all the projects within the stipulated timeline.

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<sup>1</sup> As per the first quarter investor presentation of fiscal 2021.

Financial risk profile is strong, as reflected in healthy gearing of 0.83 time, networth of Rs 4,873.70 crore, turnover of Rs 3355.80 crore, profit after tax of Rs 262.40 crore and healthy cash accrual of Rs 578.20 crore in fiscal 2020.

Since inception, the company has completed 247 projects aggregating 134.30 million sq ft. Presently, the group has projects totalling 49.60 million sq ft that are under various stages of development, primarily in Bengaluru and few other cities such as Hyderabad, Ahmedabad, Ooty, Pune, Kochi, Chennai, Mangaluru, Goa and Mysore. However, the main focus is on the Bengaluru real estate market.

**About the developer**

The Prestige group, established in 1986 by Mr Razack Sattar, is a leading developer in Bengaluru. A bulk of its ongoing projects are in that city, in addition to Hyderabad, Ooty, Goa, Chennai, Ahmedabad, Pune, Mangaluru, and Kochi. PEPL has adopted several initiatives to enhance customer awareness and boost sales. It has started 'Prestige Virtualex' to conduct virtual site visits for its customers.

The development strategy focuses on completing ongoing projects that are mainly undertaken on joint development land, which does not require upfront investment and are largely funded through customer advances.

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