

April 15, 2024

Bhartiya City Residences Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	600.0	[ICRA]BBB-(Stable); Assigned
Total	600.0	

*Instrument details are provided in Annexure-I

Rationale

The rating action for Bhartiya City Residences Private Limited (BCRPL) factors the favourable location of its ongoing commercial office project, Bhartiya Centre of Information Technology-4 in Thanissandra, Bengaluru, and the established track record of the promoters in developing residential and commercial real estate. BCRPL is a part of the Bhartiya Group and is a wholly-owned subsidiary of the Group's flagship company - Bhartiya Urban Private Limited (BUPL, rated [ICRA]BBB+ (Positive)). BUPL is undertaking an integrated township project, named The Bhartiya City, on a land parcel of about 123 acres in North Bengaluru (Thanissandra Road), having a total estimated development potential of about 17 msf. The Group has completed four commercial projects in the past with 2.8 msf of leasable area and has demonstrate a healthy leasing track record. The current commercial project being undertaken by BCRPL is located within the Group's integrated township in Thanissandra, Bengaluru. The favourable location of the project in proximity to the international airport and various office hubs is expected to translate into adequate pre-leasing by the scheduled completion of the project. The project is to be funded in a debt to equity mix of 2:1. The entire CF debt has been tied up and ~30% of the promoter contribution has been infused as on December 31, 2023, resulting in moderate funding risks. Further, ICRA expects BUPL to provide timely financial support to BCRPL for funding shortfall, if any, given their high operational, financial, and managerial linkages, its strategic importance for BUPL and the latter's reputation sensitivity to default. BUPL has also provided a corporate guarantee for BCRPL's debt.

The rating, however, is constrained by the project's exposure to execution risk as ~66% of the total project cost is yet to be incurred as of December 2023, with the scheduled date of commencement of commercial operations (DCCO) of December 2026. Further, the project is exposed to significant market risk with no pre-leasing as on date. Nonetheless, the favourable location of the project, and Bhartiya Group's track record in office leasing in the same township for its past development mitigate the market risk to an extent. The bullet repayment for the CF loan against the commercial project will majorly fall due for quarterly repayment from December 2026 to June 2027, which exposes BCRPL to refinancing risk. Any delays in project completion or inadequate leasing may adversely impact its refinancing ability. The company is also vulnerable to high geographical and asset concentration risks inherent in a single project portfolio.

The Stable outlook reflects ICRA's opinion that the company will be able to execute the project within the scheduled timelines and achieve adequate leasing tie-ups well within the DCCO. BCRPL will continue to benefit from the parent's commitment to support in case of any shortfall.

Key rating drivers and their description

Credit strengths

Experienced promoters having a strong track record – BCRPL is a 100% subsidiary of Bhartiya Urban Private Limited (BUPL, rated [ICRA]BBB+ (Positive)). BUPL is undertaking an integrated township project on a land parcel of about 123 acres in North Bengaluru (Thanissandra Road), having a total estimated development potential of about 17 msf. The Group has completed

four commercial projects in the past with 2.8 msf of leasable area and has demonstrated a healthy leasing track record. ICRA expects BUPL to provide timely financial support to BCRPL for funding shortfall, if any, given their high operational, financial, and managerial linkages, its strategic importance for BUPL and the latter's reputation sensitivity to default.

Favourable location of the project – The current commercial project being undertaken by BCRPL is located within the Group's integrated township in Thanissandra, Bengaluru. The favourable location of the project in proximity to the international airport and various office hubs is expected to translate into adequate pre-leasing by the scheduled completion of the project. Also, the Group has demonstrated healthy leasing performance in the earlier phases of the commercial projects in the township.

Moderate funding risk – The funding risk for the project remains moderate as the entire CF debt has been tied up and 30% of the promoter contribution has been infused as on December 31, 2023.

Credit challenges

Exposure to execution risk and market risk – The project faces execution risk with ~66% total project cost yet to be incurred as of December 2023, with the scheduled DCCO of December 2026. The company has incurred 34% of the project cost for the ongoing project, Bhartiya Centre of Information Technology-4 in Thanissandra, Bengaluru, with a total area of 1.1 msf (including refuge floor area of 0.28 msf), exposing it to the residual execution risk. Further, there is no pre-leasing in place, exposing it to market risk. Nonetheless, the favourable location of the project, and Bhartiya Group's track record in office leasing in the same township for its past development mitigate the market risk to an extent.

Exposure to refinancing risk – The bullet repayment for the CF loan against the commercial project will majorly fall due for quarterly repayment from December 2026 to June 2027, which exposes the company to refinancing risk. Any delays in project completion or inadequate leasing may adversely impact its refinancing ability. Also, the Bhartiya Group's demonstrated track record of achieving adequate leasing and refinancing the CF loans for its other commercial projects provides comfort.

Geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks inherent in single asset special purpose vehicles (SPVs).

Liquidity position: Adequate

BCRPL's liquidity is adequate. The balance project cost of Rs. 430 crore is expected to be met from undrawn term loans of Rs. 275 crore and the remaining through promoter contribution. The bullet repayment for the CF loan against the commercial project will primarily fall due for quarterly repayment from September 2026 to June 2027, which is likely to be refinanced by an LRD loan once adequate leasing is achieved. This apart, the parent (BUPL) is expected to extend support to BCRPL, if the need arises.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant increase in occupancy levels at adequate rates providing visibility for refinancing of the CF loan in a timely manner. Specific credit metrics for a rating upgrade could be an average five-year DSCR of more than 1.15 times on a sustained basis.

Negative factors – Downward pressure on the rating could emerge if a significant delay in construction progress or inability to achieve adequate leasing impact the company's ability to timely refinance the CF loan. The rating could be downgraded in case of deterioration in the credit profile of the parent company or weakening of linkage with the parent company (Bhartiya Urban Private Limited).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Parent – Bhartiya Urban Private Limited to provide timely financial support to BCRPL for funding shortfall, if any, given their high operational, financial, and managerial linkages, its strategic importance for BUPL and the latter’s reputation sensitivity to default
Consolidation/Standalone	Standalone

About the company

Bhartiya City Residences Private Limited, established in 2021 post demerger, is a fully-owned subsidiary of Bhartiya Urban Private Limited (BUPL). It is involved in construction and development of commercial project in Thanisandra, Bengaluru. The under-construction project has incurred 37% of the total project cost with expected DCCO of December 2026. There is no pre-leasing as on date.

Key financial indicators (audited)

Not applicable as it is a project-stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
1	Term loans	600.0	324.0	April 15, 2024 [ICRA]BBB-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	June-23	10.3%	June-27	600.0	[ICRA]BBB-(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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