

December 18, 2021

Brigade Properties Private Limited: [ICRA]A- (Stable) reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – NCD	100.00	100.00	[ICRA]A-(Stable) reaffirmed
Total	100.0	100.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation takes comfort from the profile of Brigade Properties Private Limited's (BPPL) promoters— Brigade Enterprises Limited (BEL; rated [ICRA]A+ (Stable)/A1) and Government of Singapore Investment Corporation (GIC), as well as the track record of the Brigade Group in the commercial and residential real estate sector. The promoters are committed to infuse funds in BPPL to meet any cashflow mismatches as demonstrated in the past, including recent fund infusion of Rs 100 crore in Q2FY2022. The rating also takes into account the completion of the Brigade Tech Garden project, which has leasable office space of 3.0 million square feet (msf) favourably located near Whitefield, Bangalore. Around 35% of the outstanding bank debt is in the form of lease rental discounting (LRD) debt which has adequate coverage metrics and is backed by rent income from reputed tenants.

The rating, however, remains constrained by the low occupancy level at 35% of the leasable area of 3.0 million square feet (msf) as of September 30, 2021. Hence, there remains high market risk with respect to timely leasing of the remaining area, notwithstanding the incremental tie up for additional 10% space in Q3FY22 till date and a hard option of 0.2 mn sqft available with one of the existing tenants. Extended period of work-from-home adopted by corporate occupiers owing to the Covid-19 pandemic has affected incremental pre-leasing activity in FY2022. Any sustained delay in additional leasing and handover could adversely impact the company's cash flow position. Nonetheless, timely support from the promoters is expected to bridge potential cash flow mismatches in the near term.

The Stable outlook reflects ICRA's expectation that BPPL will continue to benefit from the operational and financial support it derives from its parent, Brigade Enterprises Limited (BEL). As demand for office space leasing picks up over the medium term, BPPL is expected to report improved operational and leverage metrics on standalone basis.

Key rating drivers and their description

Credit strengths

Experience and track record of BPPL's promoters in real estate sector: BPPL is a 51% subsidiary of BEL, with GIC of Singapore holding the remaining shares. BEL is one of the leading real estate developers in Bangalore. The Brigade Group has completed and delivered a total area of more than 72 mn sqft, comprising over 255 residential, commercial and hospitality projects. BEL's commercial (office) real estate portfolio, with a leasable area of 7.2 mn sqft, generates a stable lease income with annualised rental potential of close to Rs. 500 crore in FY2022.

Favourable location of the asset – BTG is favourably located near Whitefield, East Bangalore and is close to outer ring road of Marathahalli which the hub for numerous multi-national companies. The favourable location of the asset is expected to result in healthy occupancy level.

Comfortable debt-coverage metrics in the LRD loan – The company's debt comprises 35% of lease-rental discounting loan (LRD) as of September 30, 2021 which is secured by the rental income from reputed tenants over 0.67 msf of leasable area and has adequate debt-coverage metrics.

Credit challenges

Market risk associated with timely leasing: As of September 2021, the occupancy level remained low at 35% of the leasable area of 3.0 million square feet (msf). Hence, there remains high market risk with respect to timely leasing of the remaining area, notwithstanding the incremental tie up for additional 10% space in Q3FY22 till date and a hard option of 0.2 mn sqft available with one of the existing tenants. Any delay in leasing can adversely impact the company's ability to refinance the construction loan.

Impact of Covid-19 on leasing - Extended period of work-from-home adopted by corporate occupiers owing to the Covid-19 pandemic has affected incremental pre-leasing activity in FY2022. Any sustained delay in additional leasing and handover could adversely impact the company's cash flow position. Nonetheless, timely support from the promoters is expected to bridge potential cash flow mismatches in the near term.

Liquidity position: Adequate

Liquidity of BPPL is supported by the consistent funds infusion in the company by the sponsors in line with the project progress. Around 35% of the debt is in the form of LRD debt which has adequate debt coverage metrics. The construction finance loan will be refinanced with a lease rental discounting loan on leasing of adequate spaces in Phase 2. Furthermore, absence of any fixed redemption schedule for majority of the debentures and preference shares issued to its promoters and its long tenure add flexibility to the cash flow management. With the infusion of Rs 100 crore of advance by the promoters in H1FY2022, the company's liquidity position remains adequate to meet its interest and term loan repayment obligations.

Rating sensitivities

Positive factors – Ability to lease the balance area at a healthy pace which supports refinancing of the construction finance debt into LRD debt with comfortable debt coverage metrics. The rating upgrade would remain sensitive to any movement in the rating or outlook of the parent, Brigade Enterprises Limited.

Negative factors – Conversely, the rating may be downgraded if any significant delay in leasing adversely affects BPPL's cash flows and liquidity position. The rating would remain sensitive to any movement in the rating or outlook of the parent, Brigade Enterprises Limited

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Real Estate Methodology Rating approach - Implicit parent or group support
Parent/Group Support	Parent Company: Brigade Enterprises Limited (BEL). BEL has extended a Letter of Comfort in relation to the credit facilities availed by BPPL.
Consolidation/Standalone	Based on standalone financial statements of BPPL

About the company

BPPL is a 51% subsidiary of BEL. GIC, which is a global investment management company owned by the Government of Singapore, holds the balance 49% stake in BPPL. BPPL started development of a residential project, Brigade Cosmopolis in

Whitefield, Bangalore, in June 2013. Cosmopolis is a residential apartment project with a total saleable area of 1.5 mn sqft. The first and second phases of the project are complete and the third phase (saleable area of 0.34 mn sqft) is yet to be launched.

In March 2015, BPPL purchased 100% equity stake in Brooke Bond Real Estate Private Limited (currently named Brookefields Real Estates and Projects Private Limited), a company earlier owned by Hindustan Unilever Limited. BREPPL is developing a commercial office project named Brigade Tech Gardens, with a total leasable area of around 3 mn sqft on a 26-acre land parcel in Whitefield with SEZ status. Pursuant to the confirmation order of scheme of amalgamation by the relevant authorities, BREPPL was amalgamated with BPPL in October 2019.

Key financial indicators

Consolidated	FY2020 (Audited)	FY2021 (Audited)
Operating Income (Rs. crore)*	89.6	99.6
PAT (Rs. crore)	-27.2	-44.9
OPBDIT/OI (%)	43.2	73.8
PAT/OI (%)	-30.4	-45.1
Total Outside Liabilities/Tangible Net Worth (times)	9.9	19.2
Total Debt/OPBDIT (times)	23.9	17.3
Interest Coverage (times)	0.8	1.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; note – Company reported figures does not include debt of associates and joint venture companies

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
					Dec 18, 2021	Dec 18, 2020	Dec 30, 2019	Sep 28, 2019	Sep 3, 2018
1	NCD	Long-term	100.00	49.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A; rating continues to be under watch with developing implications	[ICRA]A; rating placed under watch with developing implication
2	Term loan	Long term	-	-	-	-	-	-	[ICRA]A(Stable) Withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – NCD	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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
INE454S08018	NCD	Mar 20, 2015	16%	Mar 19, 2022	100.00	[ICRA]A-(Stable)

Source: Company;

Annexure-2: Details of entities consolidated

Nil

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