

February 07, 2024

## BSREP India Office Holdings V Pte. Ltd: Rating assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]AA (Stable); assigned
<b>Total</b>	-	

\*Instrument details are provided in Annexure-I

### Rationale

To arrive at the rating, ICRA has consolidated the financials of BSREP India Office Holdings V Pte. Ltd (BSREP V), BSREP India Office Holdings III Pte. Ltd (BSREP III) and BSREP India Office Holding Pte. Ltd. (BIOH). BSREP V and BSREP III have availed debt of \$175 million (\$105 million in BSREP V and \$70 million in BSREP III) against the pledge of units held by BSREP V, BSREP III and BIOH in Brookfield India Real Estate Trust (BIRET, rated [ICRA]AAA (Stable)). Further, there are cross default clauses for the loan availed.

The assigned rating favourably factors in the steady consolidated cash flows expected in the form of distribution income from BIRET, a listed office real estate investment trust (REIT), sponsored by the Brookfield Group. This is further supported by the regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the REIT's unit holders. Till September 2023, BSREP V, BSREP III and BIOH have received ~Rs. 669 crore of distribution income from BIRET<sup>1</sup>.

The rating derives comfort from the experience and track record of the Brookfield Group, which is one of the world's largest alternative asset managers. In India, Brookfield through its affiliates has an established track record of more than a decade with around USD 8.5 billion of real estate assets under management.

The rating is, however, constrained by its moderate leverage with net LTV<sup>2</sup> of 44%<sup>3</sup> as on December 31, 2023. While the consolidated cash inflows are comfortably placed in meeting the operational and interest expenses, the company is exposed to refinancing risk as the outstanding loan of \$175 million has a bullet repayment due in December 2024. However, comfort can be drawn from strong financial flexibility and track record of timely refinancing, being a part of the Brookfield Group. The rating is also constrained by limited diversification with the company's revenues entirely dependent on distribution income from BIRET. Any material decline in distribution from BIRET may impact its debt coverage indicators and will remain a key monitorable.

The Stable outlook reflects strong profile of the investee (BIRET) and ICRA's opinion that the company will receive steady distribution income from BIRET with no plans of taking any additional external debt.

### Key rating drivers and their description

#### Credit strengths

**Steady cash flows from BIRET** – The rating favourably factors in the consolidated cash flows expected in the form of distribution income from BIRET, a listed office real estate investment trust (REIT), sponsored by the Brookfield Group. This is further

<sup>1</sup> BIRET has a diversified office portfolio of assets measuring 25.3 million square feet (msf) of leasable area, which includes completed area of 20.7 msf and under construction area of 0.6 msf (2.4% of total area) as on September 30, 2023.

<sup>2</sup> Net Loan to Value (LTV) – (Total Debt – Cash collateral)/Market value of units in REIT

<sup>3</sup> Gross LTV – 46.3%

supported by the regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the REIT's unit holders. Till September 2023, BSREP V, BSREP III and BIOH received ~Rs. 669 crore of distribution income from BIRET.

**Strong parentage** – BSREP V is a portfolio company of the Brookfield Group and is a sponsor of BIRET. The Brookfield Group is one of the world's largest alternative asset managers. In India, Brookfield through its affiliates has an established track record of more than a decade with around USD 8.5 billion of real estate assets under management. BIRET has a diversified office portfolio of assets measuring 25.3 msf of leasable area, which includes completed area of 20.7 msf and under-construction area of 0.6 msf (2.4% of total area). Its assets are diversified across major cities such as Gurugram, Noida, Mumbai and Kolkata, with a reputed and varied tenant mix across sectors.

### Credit challenges

**Moderate leverage levels; refinancing risk** – The rating is constrained by its moderate leverage level with net LTV of 44% as on December 31, 2023. Further, the company is exposed to refinancing risk as the outstanding loan of \$ 175 million has a bullet repayment due in December 2024. However, comfort can be drawn from the strong financial flexibility and track record of timely refinancing, being a part of the Brookfield Group.

**Limited diversification of revenues** – The company's revenues are entirely dependent on the distribution income from BIRET. Any material decline in distributions from BIRET, or material increase in leverage, is likely to have an adverse impact on the debt coverage indicators.

### Liquidity position: Adequate

The estimated distribution from BIRET is expected to comfortably cover the company's expenses and interest obligations. The loan has a principal bullet repayment due in December 2024. Given the strong financial flexibility, the company is expected to refinance the loan in a timely manner.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if there is material reduction in leverage and significantly higher distribution income from BIRET resulting in improvement in debt coverage metrics on a sustained basis.

**Negative factors** – The rating could witness a downward revision in case of weakening credit profile of the Brookfield India Real Estate Trust, or significant decline in distribution from REIT, or material increase in leverage resulting in weakening of debt protection metrics on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Investment companies</a> <a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	NA
Consolidation/Standalone	To arrive at the rating, ICRA has consolidated the financials of BSREP V, BSREP III and BIOH. BSREP V and BSREP III together have availed \$175 million loan (\$105 million in BSREP V and \$70 million in BSREP III) against pledge of units held by BSREP V, BSREP III and BIOH in BIRET. Further, there are cross default clauses for the loan availed. The list of entities is mentioned in annexure II.

## About the company

BSREP V is a sponsor of BIRET and holds 12.33% of the total units of BIRET as on December 31, 2023. It was incorporated in Singapore on June 17, 2014, and is an investment holding company wholly owned by BSREP India office Holding Pte. Ltd., which is ultimately held by Brookfield Group based in Canada.

BIRET is registered under SEBI's REIT Regulations, 2014 on September 14, 2020, in Mumbai. It is incorporated as a registered trust and listed through a public issue of units. BIRET was India's third commercial office REIT, which was listed on February 16, 2021. Post listing, BIRET has acquired three assets held by three SPVs – N2 (100%) in January 2022 and G1 (50%) and Downtown, Powai (50%) in August 2023. As of September 2023, BIRET has a total of six SPVs holding seven assets and one operational service provider with a total operational area of 20.7 msf. It owns 100% of four SPVs and 50% of two recently acquired SPVs with the remaining 50% stake at SPV level held by affiliates of Government of Singapore Investment Corporation (GIC).

## Key financial indicators (audited)

Consolidated	CY2021	CY2022
Operating income	1,528.8	1,633.4
PAT	3,268.6*	1,117.8
OPBDIT/OI	99.7%	98.8%
PAT/OI	214%	68%
Total outside liabilities/Tangible net worth (times)	0.9	1.3
Total debt/OPBDIT (times)	0.5	0.5
Interest coverage (times)	93.7	18.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; \*PAT is higher than OI due to higher non-operating income  
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Type	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
1	Issuer rating	-	-	February 07, 2024 [[ICRA]AA (Stable)	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not Applicable

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	Issuer rating	NA	NA	NA	-	[ICRA]AA (Stable)

Source: Company

**Annexure II: List of entities considered for consolidated analysis:**

Company Name	Ownership	Consolidation Approach
BSREP India Office Holdings V Pte. Ltd	Rated entity	Full Consolidation
BSREP India Office Holdings III Pte. Ltd	#	Full Consolidation
BSREP India Office Holding Pte. Ltd.	*	Full Consolidation

Source: Company; \*BSREP India Office Holding Pte. Ltd. holds 100% in BSREP India Office Holdings V Pte. Ltd  
#group company which is held 100% by BSREP India Office Holding Pte. Ltd.

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