June 13, 2024

Best View Infracon Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund-based - Term loan	30.00	[ICRA]BBB (Stable); assigned
Total	**30.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating assigned to Best View Infracon Limited (BVIL) factors in the healthy occupancy of the operational area, favourable location of the project and comfortable debt coverage metrics. BVIL operates a commercial office and retail space, Eldeco Centre, in Malviya Nagar, Delhi, with a total leasable area of 0.29 million square feet (msf) being developed in two phases. The project is located at Malviya Nagar Metro Station, in proximity to two prominent areas of South Delhi, Saket and Malviya Nagar, which enhances the marketability. The phase 1 of the project with 0.21 msf of area has become operational in FY2024 and has healthy occupancy levels of ~90% as on March 31, 2024. The leverage is projected to be moderate with total debt (including lease liabilities)/annualised net operating income (NOI) at around 7.5 times as of March 2025. The debt coverage metrics as measured by five-year average DSCR remains comfortable in the range of 1.4-1.5 times (FY2025-FY2029). The company maintains debt service reserve account (DSRA) balance equivalent to six months of debt servicing obligations. The rating notes the long track record of the Eldeco Group for more than four decades in the real estate industry.

The rating is, however, constrained by the small scale of operations and exposure to high tenant concentration risk with top five tenants occupying 62% of the leasable area and contributing to 74% of the rentals. Any significant weakening in the credit profile or business operations of the tenants, resulting in material reduction in occupancy, may adversely impact BVIL's operational cash flows. Further, timely collection of rentals from all the tenants will remain a key monitorable. The company is exposed to geographical and asset concentration risks due to the single asset nature of development. The rating considers the moderate execution and market risks associated with phase 2 of the project, which is yet to start construction. The rating also notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the favourable location of the project, expected healthy occupancy levels, which will result in steady rental revenues and comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Healthy occupancy levels and comfortable debt coverage metrics – Phase 1 of the project with 0.21 msf has become operational in FY2024 and has healthy occupancy levels of ~90% as on March 31, 2024. The leverage is projected to be moderate, with total debt (including lease liabilities)/annualised net operating income (NOI) at around 7.5 times as of March 2025. The debt coverage metrics as measured by five-year average DSCR remains comfortable in the range of 1.4-1.5 times (FY2025-FY2029).

Favourable location of project – BVIL operates a commercial office and retail space called Eldeco Centre in Malviya Nagar, Delhi, with a total leasable area of 0.29 msf being developed in two phases. The project is located at Malviya Nagar Metro Station, which is in proximity to two prominent areas of South Delhi, Saket and Malviya Nagar, which enhances the marketability.

Experienced promoters with long track record of operations in real estate business – The company is a part of the Eldeco Group, which has more than 40 years of experience in the real estate industry.

Credit challenges

Small scale of operations and exposure to high tenant concentration risk – The rating is constrained by the small scale of operations and exposure to high tenant concentration risk with top five tenants occupying 62% of the leasable area and contributing to 74% of the rentals. Any significant weakening in the credit profile or business operations of the tenants, resulting in material reduction in occupancy, may adversely impact BVIL's operational cash flows. Further, timely collections of rentals from all the tenants will remain a key monitorable.

Exposed to moderate execution and market risks for Phase 2 of project – At present, only Phase 1 is operational with total leasable area of 0.21 msf. However, the construction for the phase 2 is yet to be started, thereby exposing the company to moderate execution and market risks.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The debt coverage metrics remain vulnerable to changes in interest rates or reduction in occupancy levels.

Liquidity position: Adequate

The company's liquidity position is adequate corroborated by estimated unencumbered cash balances of Rs. 3.23 crore as on March 31, 2024. It has debt repayment obligation of Rs. 4.7 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – The rating could be upgraded if there is healthy progress in construction and leasing of phase 2 of the project, increase in occupancy levels of the operational area resulting in improvement in leverage, while maintaining comfortable coverage metrics. Specific credit metrics that could lead to a rating upgrade include Total Debt (including lease liabilities)/NOI of less than 5.5 times on a sustained basis.

Negative factors – Pressure on the rating could arise in case there is any material delay in rental collections or significant decline in occupancy levels/rental rates, or a significant increase in indebtedness, resulting in weakening of debt protection metrics and the liquidity position. Specific credit metric that could lead to a rating downgrade include five-year average DSCR of less than 1.25 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Best View Infracon Limited (BVIL), incorporated in 2008, has been involved in real estate development. It is a part of the Eldeco Group, which was established in 1975 and has more than 40 years of experience in the real estate industry majorly in the residential segment. BVIL is a 100% subsidiary of Eldeco Infrastructure and Properties Ltd (EIPL). The company operates a

commercial office and retail space called Eldeco Centre in Malviya Nagar, Delhi, with a total leasable area of 0.29 msf, which is being developed in two phases. Phase 1 of 0.21 msf is currently operational with occupancy of ~90%, while phase 2 of 0.08 msf is expected to be operational over the next 12-18 months.

Key financial indicators

Not applicable as BVIL was a project stage company till FY2023. The office and mall operations started in H2 FY2024.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jun 13, 2024	-	-	-
1 Term loans	Long term	30.00	233.9	[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**	FY2024	NA	FY2038	30.00	[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

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Abhishek Lahoti
+91 40 6939 6433
abhishek.lahoti@icraindia.com

Preeti Rana
+91 124 4545 887
preeti.rana@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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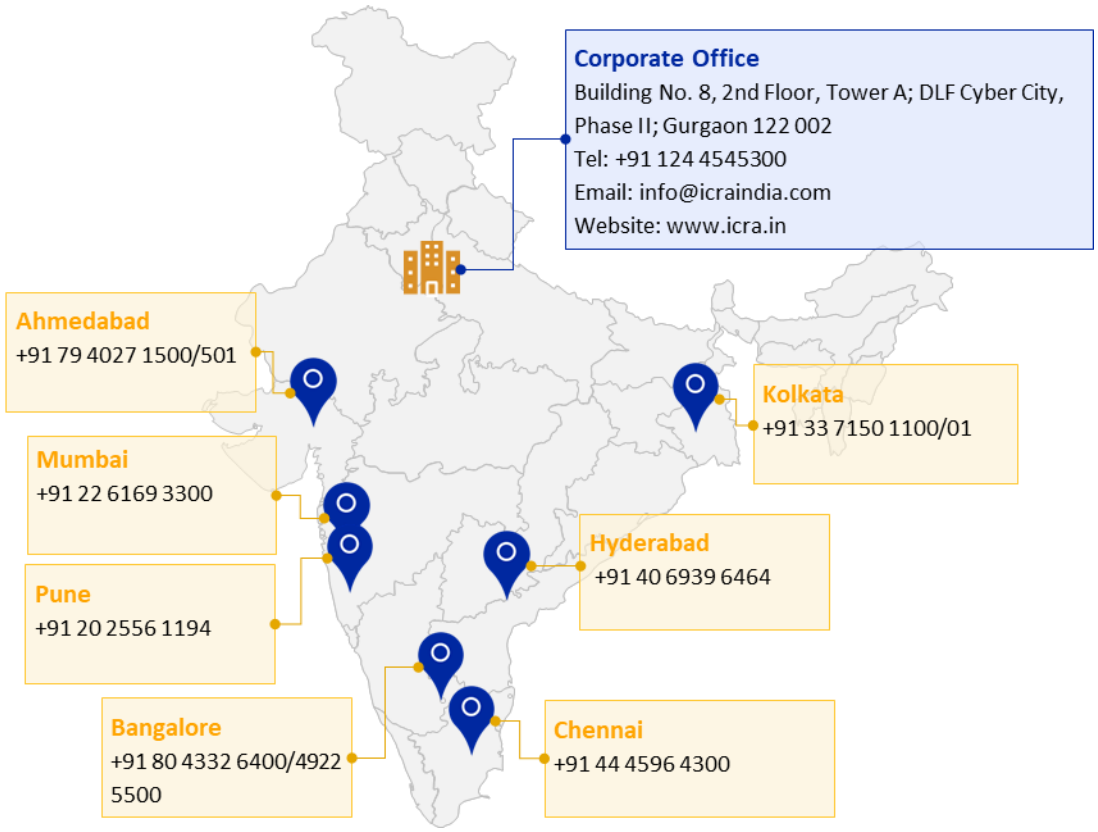
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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