

July 12, 2024

Bagmane Developers Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	5,682.00	5,235.00	[ICRA]AA (Stable); reaffirmed
Long-term -Unallocated limits	1,318.00	1,765.00	[ICRA]AA (Stable); reaffirmed
Total	7,000.00	7,000.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Bagmane Developers Private Limited¹ (BDPL) factors in its established market position in the commercial real estate in Bangalore. Bagmane Group has an operational portfolio of 21.3 million square feet (msf) at a strong healthy committed occupancy of ~95% as of May 2024, while maintaining strong leverage and debt coverage metrics. The rental inflows² are estimated to increase by around 16% to ~Rs. 2,130 crore in FY2024 and further by ~15% in FY2025 on the back of commencement of rentals for the newly completed area and scheduled escalation in rental rates. The rating derives comfort from BDPL's strong leverage, as measured by the external debt/ NOI of ~1.9 times as of March 2025 (PY: ~2.2 times) and strong coverage metrics as reflected in the five-year average debt service coverage ratio (DSCR) for FY2025-FY2029 estimated at 1.8 times.

The reputed tenant profile in BDPL's assets, viz. Google, Amazon, Samsung, Volvo, Qualcomm, among others, and the long-term lease tenure of 5-15 years, provide medium-term rental visibility. Moreover, the rating draws comfort from the significant investments made by the tenants towards fitouts in the leased premises, which reduces the vacancy risk to an extent. The rating also factors in the favourable location and the asset quality of BDPL's portfolio.

The rating, however, remains constrained by the company's large expansion plans, with area under development of 6.7 msf (BDPL's share 5.7 msf) and a ~600-key hotel as of May 2024, which exposes it to execution and market risks. The pending cost for the same as of May 2024 is estimated to be at around ~Rs. 2,800 crore. The same is expected to be incurred in FY2025-FY2027. It will be funded majorly by internal accruals and remaining by debt. While the pre-leasing of its under-construction portfolio stood at ~35% as of May 2024, the completion of the construction within the budgeted cost and tie-up of leases will be a key monitorable.

BDPL remains exposed to high geographical concentration risks, with the entire leasable area concentrated in Bangalore. The rating is constrained by the moderate tenant concentration risk with top five tenants occupying ~43% of the leased area and contributing to ~43% of the annual rentals as of Feb 2024. Nevertheless, the risk is partially mitigated by the strong tenant profile, attractive location and high upfront investments/built-to-suit nature of development, which increase the tenant stickiness. Comfort can also be drawn from the land parcels available in the existing projects, which enables BDPL and its tenants to grow organically resulting in high instances of the existing customers leasing spaces in under-construction projects. The rating also notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels. The company is exposed to cyclicity associated with the commercial real estate sector and vulnerability to external factors.

¹ ICRA has considered consolidated financials of Bagmane Developers Private Limited, Bagmane Green Power LLP, Bagmane Texworth Private Limited, and S.B.G. Software Private Limited, given the close business, financial and managerial linkages between them.

² Rental inflows exclude CAM income, Solar income and Other operational income

The Stable outlook reflects ICRA's expectation that BDPL will continue to maintain occupancy at above 90%, benefit from the reputed tenant profile, the expected growth from the assets currently under development, and the low leverage levels.

Key rating drivers and their description

Credit strengths

Group's established market position and growing scale – BDPL is among the established developers in the commercial real estate in Bangalore with a large portfolio of commercial office parks spread across the city, at a strong healthy committed occupancy of ~95% as of May 2024. These commercial assets are majorly located either in Secondary Business District (SBD), Outer Ring Road, or in the IT/ITES corridor. The location-specific advantage aids in high occupancy levels. Its portfolio of commercial real estate assets include completed office space development having a leasable area of 21.3 msf, with area under development of 6.7 msf (BDPL's share 5.7 msf) and a ~600-key hotel as of May 2024. BDPL has solar power projects in its subsidiary company with an installed capacity of 74.4 MW which generates healthy cash flows.

High occupancy in leased assets and strong tenant profile – The company's committed occupancy levels stood healthy at ~95% as of May 2024, with improvement in the scale of operations over the last fiscal from 19.9 msf in FY2023 to 21.3 msf as of May 2024. The demand has been steady for most of the properties developed by BDPL with a sustained reputed tenant profile viz. Google, Amazon, Samsung, Volvo, Qualcomm, among others. The substantial investments made by the tenants towards the fitouts in the leased premises and long-term lease tenures reduce the risk of vacancy to an extent.

Strong leverage and debt coverage metrics – The rental inflows are estimated to increase by around 16% to ~Rs. 2,130 crore in FY2024 and further by ~15% in FY2025 on the back of commencement of rentals for the newly completed area and scheduled escalation in rental rates. The rating derives comfort from BDPL's strong leverage, as measured by the external debt/ NOI of ~1.9 times as of March 2025 (PY: ~2.2 times) and strong coverage metrics as reflected in the five-year average debt service coverage ratio (DSCR) for FY2025-FY2029 estimated at 1.8 times.

Credit challenges

Execution and market risks associated with ongoing development of commercial office space – BDPL's large expansion plans with area under development of 6.7 msf (BDPL's share 5.7 msf) and a ~600-key hotel as of May 2024, exposes it to execution and market risks. The pending cost for the same as of May 2024 is estimated to be at around ~Rs. 2,800 crore, which is expected to be incurred in FY2025-FY2027 and will be funded majorly by internal accruals and remaining by debt. While the pre-leasing of its under-construction portfolio stood at ~35% as of May 2024, the completion of the construction within the budgeted cost and tie-up of leases will be a key monitorable.

Exposed to high geographical and moderate tenant concentration risk – BDPL remains exposed to high geographical and moderate tenant concentration risks, with the entire leasable area being concentrated in Bangalore and the top five tenants occupying ~43% of the leased area and contributing to ~43% of the annual rentals as of Feb 2024. Nevertheless, the risk is partially mitigated by the strong tenant profile, attractive location and high upfront investments/built-to-suit nature of development, which increase the tenant stickiness. Comfort can also be drawn from the land parcels available in the existing projects, which enables BDPL and its tenants to grow organically resulting in high instances of the existing customers leasing spaces in under-construction projects.

Vulnerable to cyclical and changes in interest rates – The company remains exposed to the inherent cyclical nature in the real estate industry and vulnerability to external factors. Nonetheless, ICRA takes comfort from the high occupancy in BDPL's portfolio. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels.

Liquidity position: Adequate

The company has an adequate liquidity as on March 31, 2024, with ~Rs. 210 crore of unencumbered cash. The estimated principal repayment of ~Rs. 899 crore in FY2025 and ~Rs. 806 crore in FY2026 can be comfortably met through its estimated cash flow from operations. Its capex of ~Rs. 2,800 crore, expected to be incurred in FY2025-FY2027, will be funded by debt and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade BDPL’s rating if the company is able to successfully diversify operations, sustain the pace of growth while maintaining high occupancies, low leverage levels and strong debt coverage metrics.

Negative factors – Negative pressure on BDPL’s rating could arise if there is a significant delay in leasing tie-ups in the ongoing and upcoming commercial projects, leading to slower-than-expected ramp-up in rentals and higher refinancing risk. Specific credit metrics that could lead to a downgrade of BDPL’s rating include gross debt (including construction finance, if any) to net operating income (NOI) increasing above 4.0 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	For arriving at the rating, ICRA has considered consolidated financials of Bagmane Developers Private Limited, Bagmane Green Power LLP, Bagmane Texworth Private Limited, and S.B.G. Software Private Limited, given the close business, financial and managerial linkages between them.

About the company

Bagmane Developers Private Limited (BDPL), incorporated in July 1996, is involved primarily in the development, leasing, and management of commercial office space. Over the past two decades, the Bagmane Group has developed and leased over ~26 msf of office space (Bagmane’s share ~21 msf) with additional another 6.7 msf (Bagmane’s share ~5.7 msf) under construction to top multinationals like Google, Amazon, Samsung, Qualcomm, Volvo, etc. BDPL’s commercial real estate assets include Bagmane Tech Park in C V Raman Nagar, and Bagmane World Technology Centre, Bagmane Rio Tech Park, Bagmane Constellation Business Park, and Bagmane Capital on the Outer Ring Road in Mahadevapura, and Bagmane Solarium City in Whitefield. BDPL is the flagship company of the Bagmane Group. It is 99.9% held by Bagmane Realty and Infrastructure LLP, the Group's holding company.

Bagmane Green Power LLP (BGPL) is a special purpose vehicle (SPV) formed by the Bagmane Group for setting up solar power projects in Chikkodi and Sedam, Karnataka, aggregating to an installed capacity of 74.4 MW DC. The entire generation is used for captive consumption by the Group.

Bagmane Texworth Private Limited (BTPL), incorporated in October 2022, wherein BDPL has entered into a JV with BTPL (49.9% shares held by BDPL), for acquisition of land in Bengaluru CBD, having a potential of around 2 msf.

S.B.G. Software Private Limited (SBG) is a subsidiary of Akruthi Infra Build Developers Pvt Ltd (fellow subsidiary of BDPL). The entity operates and owns the Goldstone Tower (a commercial office space of ~1 msf. of leasable area) in Bengaluru at the office park Bagmane World Technology Centre.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	2,140.1	2,443.2
PAT	678.4	802.3
OPBDIT/OI	68.6%	72.4%
PAT/OI	31.7%	32.8%
Total outside liabilities/Tangible net worth (times)	1.8	1.6
Total debt/OPBDIT (times)	2.7	2.5
Interest coverage (times)	4.4	4.7

Source: Company & ICRA Research; Amount in Rs. Crore; All ratios are as per ICRA's calculations; 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

Sl. No.	Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years					
			Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	
				July 12, 2024	March 01, 2024	Aug 30, 2023	May 23, 2023	Mar 13, 2023	Apr 07, 2022	May 17, 2021
1	Term loans	Long term	5,235.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Long term-Unallocated limits	Long term	1,765.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Unallocated	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	Term loan	FY2014 – FY2024 @	-	May 2036 &	5,235.00	[ICRA]AA (Stable)
NA	Unallocated	-	-	-	1,765.00	[ICRA]AA (Stable)

Source: Company

@ represents loan sanctioned between FY2014-FY2024

& represents the farthest maturity date among the various maturity dates for different term loans

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Annexure II: List of entities considered for consolidated analysis

Company Name	BDPL Ownership	Consolidation Approach
Bagmane Green Power LLP	100.00%	Full Consolidation
Bagmane Texworth Private Limited	100.00%	Full Consolidation
S.B.G. Software Private Limited (SBG)	0%^	Full Consolidation

Source: Company; ICRA Research

^ SBG is held by 100% Akruthi Infra Build Developers Pvt Ltd which is a subsidiary of Bagmane Realty and Infrastructure LLP, BDPL's holding company. The Group has announced the demerger of assets under SBG and merger of asset with BDPL.

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