September 30, 2024

Oak Infrastructure Developers Limited: Rating upgraded to [ICRA]AAA(Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	590.00	590.00	[ICRA]AAA (Stable) upgraded from [ICRA]A(Stable)
Long-term Fund-based – Overdraft	10.00	10.00	
Long-term Non-fund based Limits	5.00	5.00	
Total	**605.00**	**605.00**	

**Instrument details are provided in Annexure-I*

Rationale

Rostrum Realty Private Limited (RRPL) is a special purpose vehicle (SPV), which has three wholly-owned subsidiaries namely Aspen Buildtech Limited (ABL), Arnon Builders and Developers Limited (ABDL) and Oak Infrastructure Developers Limited (OIDL), together referred as pooled assets. The debt for the pooled assets has cross collateralisation and cross-default clauses. Further, as a part of the debt structure, the surplus at each SPV will be utilised for debt servicing of the other SPVs, should a need arise.

The rating upgrade of OIDL factors in an increase in occupancy of the pooled assets and consequent improvement in debt protection metrics, along with the favourable change in shareholding. In June 2024, Brookfield India Real Estate Trust (BIRET, rated [ICRA]AAA (Stable)) acquired a 50% stake in RRPL from the Bharti Group, while the remaining 50% continues to be held by the Brookfield Group[1]. The pooled assets hold high strategic importance for BIRET, as they are estimated to contribute 18.2% of gross asset value of BIRET as of March 2024. The company derives strong financial flexibility being part of Brookfield REIT.

The rating action considers an improvement in occupancy levels of the pooled assets to 93% in June 2024 from ~88% in September 2023 and increase in rent rates. Backed by a healthy leasing pipeline, the occupancy is expected to further ramp-up in the near term. This, along with proposed refinancing of the loan with elongated tenure, ballooning repayment structure and lower interest rates (other key terms of the sanction are expected to remain same as the existing one), are expected to improve the debt protection metrics of the pooled assets with estimated total debt/net operating income (NOI) of around 6.5 times as of March 2025 and around 6.0 times as of March 2026 and 5-year average DSCR of 1.58-1.60 times (FY2025-FY2029).

The rating continues to factor in healthy business risk profiles of the pooled assets, which consist of 24.7 lakh square feet (lakh sft) of commercial office leasable space and 8.1 lakh sft of retail space, spread across New Delhi, Gurugram and Ludhiana. The pooled assets have a reputed tenant mix and are in favourable locations with good connectivity enhancing their marketability.

ODIL owns and operates mixed-use real-estate assets with office and retail mall in Aerocity, New Delhi, namely World Mark 2 and 3(WM2 and WM 3) with a total leasable area of 8.5 lakh sft including office share of 7.9 lakh sft and retail share of 0.6 lakh sft. With relatively lower debt levels in ODIL's books, the leverage and coverage metrics are healthy.

[1] *Through Metallica Holdings (DIFC) Limited*

The pooled assets remain exposed to the inherent cyclicality in the real estate industry and vulnerability to external factors. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or material reduction in occupancy levels.

OIDL is exposed to moderate tenant concentration risk in the WM2 and WM3 assets. While WM2 has healthy occupancy levels of 100% and 94% in its office and retail area, respectively, the occupancy in WM3 is moderate at 73% in office space and 77% in retail space, exposing the company to moderate market risk for the vacant area.

The Stable outlook reflects ICRA's opinion that the company would benefit from the stable operations of the pooled assets, reputed tenant profile, expected improvement in the debt protection metrics and strong financial flexibility being part of BIRET.

Key rating drivers and their description

Credit strengths

Strong parentage derived from Brookfield India Real Estate Trust and Brookfield Group – RRPL is held equally by BIRET (rated at [ICRA]AAA (Stable)) and the Brookfield Group, which provide strong flexibility as they have significant experience in the real estate industry. In June 2024, BIRET had acquired a 50% stake in RPPL and its three wholly-owned subsidiaries – ABL, ABDL and OIDL together referred as pooled assets from the Bharti Group, for a total equity consideration of Rs. 1,227.9 crore. The pooled assets hold high strategic importance for BIRET, as they are estimated to contribute 18.2% of gross asset value of BIRET as of March 2024. The company derives strong financial flexibility being part of Brookfield REIT.

Expected improvement in debt protection metrics of pooled assets; cross-collateralised structure with surplus sharing among SPVs lends strength to debt structure – The rating action considers improvement in occupancy levels of the pooled assets to 93% in June 2024 from ~88% in September 2023 and increase in rent rates. Backed by a healthy leasing pipeline, the occupancy is expected to further ramp-up in the near term. This, along with proposed refinancing of the loan with elongated tenure, ballooning repayment structure and lower interest rates (other key terms of the sanction are expected to remain same as the existing one), are expected to improve debt protection metrics of the pooled assets with estimated total debt/net operating income (NOI) of around 6.5 times as of March 2025 and around 6.0 times as of March 2026 and 5-year average DSCR of 1.58-1.6 times (FY2025-FY2029). The debt for the pooled assets has cross collateralisation and cross-default clauses. Further, as a part of the debt structure, the surplus at each SPV will be utilised for debt servicing of the other SPVs, should a need arise.

Favourable locations of pooled assets with reputed tenants – The pooled assets consist of 24.7 lakh sft of commercial office leasable space and 8.1 lakh sft of retail space, spread across New Delhi, Gurugram and Ludhiana. The pooled assets have a reputed tenant mix and are in favourable locations with good connectivity enhancing their marketability. There is healthy track record of operations with diversified tenant profile, including leading multinational and Indian corporates.

Credit challenges

Moderate market risk in WM3 office – While WM2 has healthy occupancy levels of 100% and 94% in its office and retail areas, respectively, the occupancy in the WM3 asset is moderate at 73% in office space and 77% in retail space, exposing the company to moderate market risk for the vacant area. However, long track record of the Brookfield Group in the real estate industry provides comfort. Further, OIDL is also exposed to moderate tenant concentration risk in the retail space as top five tenants occupy majority of retail leased area in the WM2 and WM3 assets.

Vulnerable to cyclicality and changes in interest rates – The pooled assets remain exposed to the inherent cyclicality in the real estate industry and vulnerability to external factors. Nonetheless, ICRA takes comfort from the healthy occupancy levels of the pooled assets. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or material reduction in occupancy levels.

Liquidity position: Adequate

The pooled assets have cash and bank balance of Rs. 113.7 crore as on March 31, 2024, and estimated principal repayment obligations of ~Rs. 17 crore in FY2024 and ~Rs. 4 crore in FY2025 due to refinancing of existing debt, which can be comfortably serviced through its estimated cash flow from operations. OIDL had cash and bank balance of Rs. 49.6 crore as of March 31, 2024. Its liquidity is supported by the debt structure, wherein each SPV has access to the surpluses of the other SPVs under pooled assets

Rating sensitivities

Positive factors – NA

Negative factors – Negative pressure on the ratings could emerge if there is a material decline in occupancy or a significant increase in indebtedness for the pooled assets resulting in weakening of debt protection metrics on a sustained basis. Further, any deterioration in the credit profile or weakening of linkages with Brookfield REIT might have a bearing on OIDL rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Parent: Pool of 4 entities namely Rostrum Realty Private Limited (RRPL) and its wholly owned subsidiaries namely Aspen Buildtech Limited (ABL), Arnon Builders and Developers Limited (ABDL) and Oak Infrastructure Developers Limited (OIDL). All the four entities have common lenders and the debt availed by them have a cash flow pooling mechanism, with presence of cross default clauses and surplus sharing. The rating for OIDL has been arrived at by following the analytical steps as given below: 1. An assessment of the standalone credit profile of OIDL. 2. An assessment of the credit profile of the pooled assets by considering consolidated business and financial risk profile of the pooled assets. 3. The final rating for the bank facility of ABL is arrived at by suitably notching up the standalone rating after duly considering the support from the pooled assets as per the debt structure and the linkages between the standalone entity and the pooled assets.
Consolidation/Standalone	Standalone

About the company

Oak Infrastructure Developers Limited (OAK) was incorporated on October 08, 2009. It is a wholly-owned subsidiary of Rostrum Realty Private Limited (RRPL), which is ultimately owned by BIRET (50%) and Brookfield Group (50%). The Brookfield Group acquired Oak in March 2023, following which the entity was transferred from the Bharti Group to RRPL. At present, it owns and operates a mixed-use real-estate asset with office and retail mall – World Mark Delhi (WM 2 & WM 3), with a total leasable area of 8.5 lakh sft including office share of 7.9 lakh sft and retail share of 0.6 lakh sft.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	138.7	201.2
PAT	-17.1	16.6
OPBDIT/OI	84.0%	77.4%
PAT/OI	-12.3%	8.3%
Total outside liabilities/Tangible net worth (times)	-4.7	-4.9
Total debt/OPBDIT (times)	10.9	8.0
Interest coverage (times)	1.1	1.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore

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

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Sep 30, 2024**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term loans	Long Term	590.00	[ICRA]AAA (Stable)	05-Oct-23	[ICRA]A (Stable)	-	-	-	-
Overdraft	Long Term	10.00	[ICRA]AAA (Stable)	05-Oct-23	[ICRA]A (Stable)	-	-	-	-
Non-fund based limits	Long Term	5.00	[ICRA]AAA (Stable)	05-Oct-23	[ICRA]A (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
Overdraft	Simple
Non-fund based limits	Very 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 loans**	FY2023	-	FY2037	590.00	[ICRA]AAA (Stable)
NA	**Overdraft**	-	-	-	10.00	[ICRA]AAA (Stable)
NA	**Non-fund based limits**	-	-	-	5.00	[ICRA]AAA (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

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

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

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

Rabbani Mohammed D
+91 40 6939 6422
d.rabbani@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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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