November 26, 2024

Brigade Properties Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term NCD	49.0	49.0	[ICRA]A-(Stable) reaffirmed
Total	**49.0**	**49.0**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in the healthy committed occupancy at 98% as of September 2024 (80% as of September 2023) for Brigade Properties Private Limited's (BPPL) commercial office asset – Brigade Tech Garden (BTG) with a leasable area of 3 million square feet (msf) and comfortable debt coverage metrics estimated for the project. The rating considers the favourable location of BTG and the mixed-use project – The Residences of 0.21 msf, at Brookefield on ITPL Main Road, Bengaluru, which has supported their marketability. Backed by the healthy ramp-up in occupancy in BTG, the company refinanced its remaining construction finance (CF) loan of Rs. 92.0 crore as of March 2023 into lease rental discounting (LRD) loan including top-up of Rs. 108.0 crore in FY2024, thereby mitigating the refinancing risk. This LRD top-up, along with drawdown from the existing LRD loans were utilised for the redemption of Rs. 140.0 crore of debentures issued to promoters in H1 FY2025. The company may avail an additional LRD loan of Rs. 250-300 crore over the medium term for redeeming the balance debentures (along with the payment of accrued interest) issued to the promoters. Despite the likely increase in debt levels, the leverage metrics as reflected by Total external debt/NOI is projected to remain comfortable at 5.0 – 5.5 times as of March 2025 and March 2026 (5.97 times as of March 2024). Consequently, the estimated five-year average DSCR is expected to remain comfortable at 1.25-1.30 times during FY2025-FY2029. The residential portion of 'The Residences' project has witnessed strong sales response and has been fully sold out. The committed receivables from this project stood at Rs. 3.5 crore as on September 30, 2024, against nil outstanding payables and debt. The commercial and retail portion (0.13 msf of area) will provide additional unencumbered operating cash flows, either in the form of annual lease rentals or outright sale.

The rating draws comfort from the strong profile of BPPL's promoters – Brigade Enterprises Limited (BEL; rated [ICRA]AA-(Stable)) and Government of Singapore Investment Corporation (GIC), as well as the track record of the Brigade Group in commercial and residential real estate sector. ICRA expects the parent, BEL, to provide timely financial support to BPPL for funding any shortfall, given their substantial financial linkages, BPPL's strategic importance for the parent and parent's reputation sensitivity to default.

The rating is, however, constrained by BPPL's exposure to tenant concentration risk, wherein the top five tenants occupy nearly 71% of the total leased area as of September 2024. Nonetheless, the reputed tenant profile, along with long lease tenure mitigates the risk to an extent. The rating also factors in the single asset nature of the company and the dependence on revenues from a single property, exposing it to asset concentration risk. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels. Besides, the rating is constrained by the subordinated nature of the rated debt instrument with equity-like characteristics.

The Stable outlook reflects ICRA's expectations that the company's credit profile will be supported by healthy occupancy and steady rentals from the commercial office project, resulting in comfortable debt coverage metrics for the project.

Key rating drivers and their description

Credit strengths

Healthy occupancy in commercial project and adequate debt coverage metrics – As on September 30, 2024, the committed occupancy for the commercial office asset - BTG stood at 98%, improving from 80% as of September 2023. Backed by the healthy ramp-up in occupancy in BTG, the company refinanced its CF loan of Rs. 92.0 crore as of March 2023 into an LRD loan of Rs. 108.0 crore in FY2024, thereby mitigating the refinancing risk. This LRD top-up along with drawdown from the existing LRD loans were utilised for the redemption of Rs. 140.0 crore of debentures issued to promoters in H1 FY2025. The company may avail an additional LRD loan of Rs. 250-300 crore over the medium term for redeeming the balance debentures (along with the payment of accrued interest) issued to the promoters. Despite the likely increase in debt levels, the leverage metrics as reflected by Total External debt/NOI is expected to remain comfortable at 5.0 – 5.5 times as of March 2025 and March 2026 (5.97 times as of March 2024). Consequently, the estimated five-year average DSCR is projected to remain adequate at 1.25-1.30 times during FY2025-FY2029. The residential portion of 'The Residences' project witnessed strong sales response and has been fully sold out. The committed receivables from this project stood at Rs. 3.5 crore as on September 30, 2024, against nil outstanding payables and debt. The commercial and retail portion (0.13 msf of area) will provide additional unencumbered operating cash flows, either in the form of annual lease rentals or outright sale.

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 through Reco Begonia Pte Ltd. BEL is one of the leading real estate developers in South India, wherein it has completed and delivered a total area of more than 90 msf, comprising 280+ residential, commercial and hospitality projects. BEL has established itself as one of the major diversified real estate developers in Bengaluru, generating revenue from three segments, sale of residential and commercial real estate projects, lease income from the owned commercial property (office and retail) and income from hospitality projects. It is developing 22.83 msf (BEL's share - 17.86 msf) of real estate projects (by saleable area), 2.54 msf (BEL's share – 1.81 msf) of leasing development as on September 30, 2024. ICRA expects the parent, BEL, to provide timely financial support to BPPL, for funding shortfall, if any, given their substantial financial linkages, BPPL's strategic importance for the parent and parent's reputation sensitivity to default.

Favourable project location – The commercial office project, BTG, is favourably located at Brookfield on ITPL Main Road, Bengaluru and is close to Outer Ring Road, Marathahalli, which is the hub for numerous multi-national companies in the city, thereby favourably enhancing its marketability. Additionally, the demand prospects for the mixed-use project, The Residences, located adjacent to BTG, are favourable due to its proximity to various corporate offices in the vicinity and well-developed social infrastructure.

Credit challenges

Exposure to tenant concentration and asset concentration risks – The company is exposed to tenant concentration risk with top five tenants occupying nearly 71% of the total leased area as of September 2024. Nonetheless, the reputed tenant profile, along with long lease tenure mitigates the risk to an extent. The single-asset nature of the company and dependence on revenues from a single property expose the company to asset concentration risk.

Vulnerability of debt coverage metrics to external factors – The debt coverage metrics are vulnerable to factors such as changes in interest rates or material reduction in occupancy levels.

Equity-like characteristics for rated debt instrument – The NCD being rated is issued to the company's promoters, which is subordinated with equity-like characteristics with 'pay when able' clauses.

Liquidity position: Adequate

BPPL's liquidity is adequate. As on September 30, 2024, the company had free cash of Rs. 31.4 crore. Its LRD debt obligations (principal and interest) are estimated to be around Rs. 135-140 crore in FY2025 and Rs. 145-150 crore in FY2026, which are likely to be met from the cash flow from operations.

Rating sensitivities

Positive factors – Given the characteristics of the debt instrument rated, a rating upgrade is unlikely.

Negative factors – The rating could be downgraded if a decline in occupancy or significant increase in indebtedness results in weakening of liquidity and debt coverage metrics. Additionally, material deterioration in the credit profile of the parent, BEL, or weakening of business linkages or strategic importance of the company for the parent could put pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Parent Company: Brigade Enterprises Limited (BEL). ICRA expects the parent, BEL, to provide timely financial support to BPPL, for funding any shortfall, given their substantial financial linkages, BPPL's strategic importance for the parent and parent's reputation sensitivity to default.
Consolidation/Standalone	Standalone

About the company

BPPL is a 51% subsidiary of BEL with the balance 49% stake held by GIC (through Reco Begonia Pte Ltd), which is a global investment management company owned by the Government of Singapore. 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 was developing a commercial office project named Brigade Tech Gardens (BTG), with a total leasable area of around 3 msf on a 26-acre land parcel, in Whitefield, with SEZ status. Pursuant to the confirmation order of the scheme of amalgamation by the relevant authorities, BREPPL was amalgamated with BPPL in October 2019. BTG was completed by BPPL in March 2021 with a total leasable area of 3 msf. The company has also developed a mixed-use project of 0.21 msf, The Residences at BTG, which consists of 45 residential units, 10 commercial units and 18 retail units including kiosks.

Key financial indicators (audited)

BPPL	FY2023	FY2024	H1 FY2025*
Operating income	141.2	275.1	132.0
PAT	-80.0	-51.0	-5.5
OPBDIT/OI	85.6%	67.0%	79.8%
PAT/OI	-56.6%	-18.5%	-4.2%
Total outside liabilities/Tangible net worth (times)	-15.4	-13.8	-12.1
Total debt/OPBDIT (times)	11.5	8.0	6.3
Interest coverage (times)	0.9	1.3	1.4

*Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; Amount 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

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Nov 26, 2024	Nov 28, 2023	Nov 30, 2022	Dec 18, 2021
1	NCD	Long-term	49.0	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	NCD*	Long-term	-	-	[ICRA]A- (Stable); withdrawn	[ICRA]A- (Stable)	[ICRA]A- (Stable)

** Unplaced NCD*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – 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 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
INE454S08083	**NCD**	Mar 20, 2015	12%	Mar 19, 2025	49.0	[ICRA]A-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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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.

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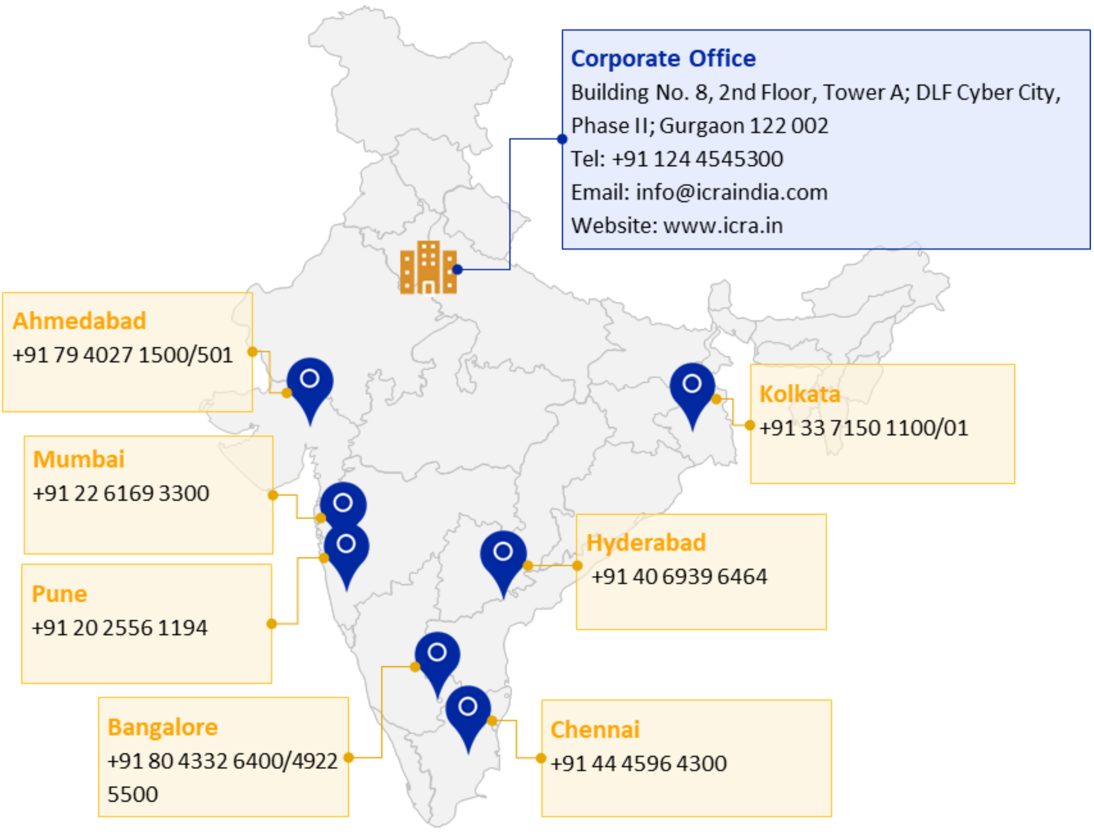

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