

December 06, 2024

Vikhroli Business City Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	2700.00	2700.00	[ICRA]A- (Stable); reaffirmed
Total	2700.00	2700.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Vikhroli Business City Private Limited's (VBCPL) favourable location and satisfactory project progress for its ongoing commercial office project in Vikhroli, Mumbai. The rating considers the strong promoters, wherein 50% stake is held each by entities owned by Mapletree Investments Pte Ltd. (Mapletree)¹ and Ivanhoe Cambridge Inc.² In India, Mapletree has a portfolio of more than 10 million square feet (msf) of operational and under-construction assets in four cities, with healthy occupancy levels for the operational assets. The project is located at the intersection of two major arterial roads in Mumbai, i.e., Lal Bahadur Shastri (LBS) Marg and Jogeshwari Vikhroli Link Road (JVLRL), which is likely to translate into adequate pre-leasing by the scheduled completion of the project. The location has good connectivity and will be connected by the upcoming Mumbai Metro Line 4 and 6, which are expected to become operational close to the project completion date. The presence of strong promoters lends exceptional financial flexibility to the company. As a part of the sanction terms for the construction finance (CF) debt, the sponsors have provided unconditional undertaking to fund any cost overruns and for timely debt servicing towards the debt.

The rating is, however, constrained by VBCPL's exposure to execution risk with around 72% of construction cost pending to be incurred as of September 2024. Nevertheless, the risk is mitigated by the strong execution track record of the Mapletree Group, reputed construction contractor and the stringent construction contract terms with significant liquidated damages in case of delays in project completion beyond the committed date as per the contractual terms. The project is to be funded by debt-to-equity ratio of 64:36, wherein 64% of the total equity has been infused as of September 2024 and the entire debt has been tied-up. There has been no pre-leasing achieved as on date, which exposes the company to market risk. Any delays in project completion or inadequate leasing may adversely impact its refinancing ability. However, these risks are mitigated by the sponsors' leasing track record and exceptional financial flexibility. Further, there is a cushion of around a year between the due date of the construction loan and the target completion date. Moreover, the refinancing risk is mitigated to an extent by the relatively low leverage in the project, with a moderate breakeven occupancy.

The Stable outlook reflects ICRA's expectation that VBCPL will be able to achieve adequate leasing benefitting from the favourable project location and the operational track record of Mapletree Group.

Key rating drivers and their description

Credit strengths

Strong promotor with established track record lends exceptional financial flexibility – VBCPL is a special purpose vehicle, wherein 50% stake is held by entities owned by Mapletree Investments Pte Ltd. (Mapletree) and Ivanhoe Cambridge Inc.

¹ Owned by Temasek Group, which is held by the Government of Singapore; Mapletree is a global real estate development and investment company with a strong execution track record with assets under management (AUM) of S\$77.5 billion as on March 31, 2024.

² Ivanhoe Cambridge is a real estate subsidiary of Caisse de dépôt et placement du Québec (CDPQ), a global investment group, which develops and invests in real estate projects across the world, with AUM of C\$77 billion as of December 2023.

Mapletree is a global real estate development and investment company, with a strong execution track record, and assets under management (AUM) of S\$77.5 billion as on March 31, 2024. In India, Mapletree has a portfolio of over 10 msf of operational and under-construction assets in four cities (Bangalore, Chennai, Mumbai and Pune) with healthy occupancy levels for the operational assets. Ivanhoé Cambridge is a real estate subsidiary of CDPQ, a global investment group, which develops and invests in real estate projects across the world, with AUM of C\$77 billion as of December 2023. The presence of strong promoters lends exceptional financial flexibility to the company. Further, as a part of the sanction terms for of the CF debt, the sponsors have provided unconditional undertaking to fund any cost overruns and for timely debt servicing towards the debt.

Favourable location of project – The project is located at the intersection of two major arterial roads of Mumbai, i.e., LBS Marg and JVL R. It also has good connectivity and is situated at a distance of 1 km and 2 km from Kanjurmarg and Vikhroli stations, respectively. The location would be connected by the upcoming Mumbai Metro Line 4 and 6, which are expected to become operational close to the project completion date. The favourable location is likely to translate into adequate pre-leasing by the scheduled completion of the project.

Credit challenges

Exposure to project execution risk – VBCPL is exposed to execution risk as the project is in the intermediate stage with around 72% of construction cost pending to be incurred as of September 2024. Nevertheless, the risk is mitigated by the strong execution track record of the Mapletree Group, a reputed construction contractor and the stringent construction contract terms with significant liquidated damages in case of delays in project completion beyond the committed date as per the contractual terms. The project is to be funded by debt-to-equity ratio of 64:36, wherein 64% of the total equity has been infused as of September 2024 and the company has tied up the entire required debt.

High market risk and refinancing risk – The project has no pre-leasing as on date, which exposes the company to market risk. The proposed CF loan has a bullet repayment structure. Any delays or inadequate leasing may adversely impact its refinancing ability. However, these risks are mitigated by the sponsors' leasing track record and exceptional financial flexibility. Further, there is a cushion of around a year between the due date of the construction loan and the target completion date. Moreover, the refinancing risk is mitigated to an extent by the relatively low leverage in the project, with a moderate breakeven in occupancy.

Liquidity position: Adequate

The total project cost is around Rs. 4,240 crore, which is being funded by debt to equity mix of 64:36. Additionally, 64% of the total equity has been infused as of September 2024. The company has tied up the entire debt requirement for the project and the bullet repayment for the same will fall due in August 2027. As of September 2024, the total pending project cost was Rs. 1,824 crore, which will be funded by the balance equity of Rs. 558 crore and the rest through undrawn CF loan, available cash balances/advances given to contractor.

Rating sensitivities

Positive factors – VBCPL's rating might be upgraded if there is a significant leasing at adequate rental rates resulting in strong debt protection metrics. Specific credit metric that could lead to a rating upgrade is lease tie-ups of greater than 85% and Debt/NOI of below 6 times on a sustained basis.

Negative factors – Downward pressure on the rating could emerge if a significant delay in construction progress or inability to achieve adequate leasing impacts the company's ability to timely refinance the CF loan.

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

Vikhroli Business City Private Limited (VBCPL) was incorporated in October 2019 and is developing a commercial office project in Vikhroli, Mumbai. The company is held equally by entities owned by Mapletree Investments Pte Ltd. (Mapletree) and Ivanhoe Cambridge Inc. The project will have two towers of 25 floors each, with a total leasable area of 3.7 msf. The total project cost is around Rs. 4,240 crore, which will be funded in a debt-to-equity ratio of 64:36. The project has a scheduled DCCO of August 2027.

Key financial indicators: Not Applicable for a project company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	Dec 06, 2024	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	2700.00	[ICRA]A-(Stable)	27-Oct-2023	[ICRA]A-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Proposed 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 loans	January 2024	-	August 2027	2700.00	[ICRA]A- (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

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