

March 13, 2025

Arnon Builders and Developers Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|--------------------------------------|-------------------------------------|---|
| Long-term fund based – Term loan | 400.00 | 610.00 | [ICRA]AAA (Stable); reaffirmed and assigned for enhanced amount |
| Long-term fund based – Overdraft | 15.00 | 20.00 | [ICRA]AAA (Stable); reaffirmed and assigned for enhanced amount |
| Long-term – non-fund based – Interchangeable [#] | 0.00 | (20.00) | [ICRA]AAA (Stable); assigned |
| Long-term non-fund based limits | 20.00 | 0.00 | - |
| Total | 435.00 | 630.00 | |

*Instrument details are provided in Annexure I

[#]Includes non-fund based facilities (bank guarantee/letter of credit) which is sublimit to overdraft

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 of ABDL 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 Group¹. The company derives strong financial flexibility being part of Brookfield REIT.

The rating factors in the improvement in occupancy levels of the pooled assets to 96% in December 2024 from ~88% in September 2023. This, along with successful refinancing of the loan in September 2024 with an elongated tenure, ballooning repayment structure and lower interest rates, are expected to improve the debt protection metrics of the pooled assets with estimated total debt/net operating income (NOI) of 6.5 times as of March 2025 and around 6.0 times as of March 2026 and five-year average DSCR of 1.58-1.60 times (FY2025-FY2029).

The rating continues to factor in the healthy business risk profile 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.

ABDL owns and operates a mixed-use real estate asset, Worldmark 65 (WM65) in Gurugram, with office and retail leasable area of 4.8 lakh sft and 2.7 lakh sft, respectively. The occupancy of WM65 improved to 97% in December 2024 (September 2023: 79%), driven by ramp-up in occupancy of office space.

¹ Through Metallica Holdings (DIFC) Limited

The pooled assets remain exposed to the inherent cyclicalities 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.

Further, ABDL is exposed to moderate tenant concentration risk as the top five tenants in the office and retail area occupy around 52% and 38% of the leased space, respectively. ABDL is also exposed to geographical and asset concentration risks, which are inherent in companies with a single asset.

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 of 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 which in turn holds 100% stake in three 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 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 the occupancy levels of the pooled assets to 96% in December 2024 from ~88% in September 2023. This, along with successful refinancing of the loan in September 2024 with an elongated tenure, ballooning repayment structure and lower interest rates are expected to improve debt protection metrics of the pooled assets with estimated total debt/net operating income (NOI) of 6.5 times as of March 2025 and around 6.0 times as of March 2026 and five-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 a healthy track record of operations with diversified tenant profile, including leading multinational and Indian corporates.

Credit challenges

Exposure to moderate tenant and asset concentration risks in ABDL – ABDL is exposed to moderate tenant concentration risk as the top five tenants in the office and retail area occupy around 52% and 38% of the leased space, respectively. Further, ABDL is exposed to geographical and asset concentration risks, which are inherent in companies with a single asset.

Vulnerable to cyclicalities and changes in interest rates – The pooled assets remain exposed to the inherent cyclicalities 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 had cash and bank balance of Rs. 116.8 crore as on December 31, 2024, and estimated principal repayment obligations of Rs. 4 crore in FY2025 and Rs. 23 crore in FY2026, which can be comfortably serviced through its estimated cash

flow from operations. ABDL's 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 ABDL's rating.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) |
| Parent/Group support | <p>Parent: Pool of four 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).</p> <p>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.</p> <p>The rating for ABDL has been arrived at by following the analytical steps as given below:</p> <ol style="list-style-type: none"> 1. An assessment of the standalone credit profile of ABDL. 2. An assessment of the credit profile of the pooled assets by considering consolidated business and financial risk profiles of the pooled assets. 3. The final rating for the bank facility of ABDL 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

Arnon Builders & Developers Limited was incorporated on March 09, 2006. It is a wholly owned subsidiary of Rostrum Realty Private Limited (RRPL), which is ultimately owned by Brookfield India Real Estate Trust (50%) and the Brookfield Group (50%). At present, Arnon owns and operates a mixed-use real-estate asset with office and retail mall, World Mark Gurgaon (WM 65), with a total leasable area of 7.5 lakh sft including office share of 4.8 lakh sft (63.5%) and retail share of 2.7 lakh sft (36.5%). This asset has been operational since 2019.

Key financial indicators (audited)

| Standalone | FY2023 | FY2024 |
|--|--------|--------|
| Operating income | 51.8 | 77.0 |
| PAT | -31.5 | -20.7 |
| OPBDIT/OI | 70.8% | 68.2% |
| PAT/OI | -60.9% | -26.9% |
| Total outside liabilities/Tangible net worth (times) | -4.0 | -3.7 |
| Total debt/OPBDIT (times) | 18.6 | 13.2 |
| Interest coverage (times) | 0.6 | 0.7 |

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 | | | | | | | |
|------------------------------------|-----------|--------------------------|--------------------|---|--------------------|--------------|------------------|--------|--------|--------|--------|
| Instrument | Type | Amount rated (Rs. crore) | Mar 13, 2025 | FY2025 | | FY2024 | | FY2023 | | FY2022 | |
| | | | | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Term loans | Long-term | 610.00 | [ICRA]AAA (Stable) | Sep 30, 2024 | [ICRA]AAA (Stable) | Oct 05, 2023 | [ICRA]A (Stable) | - | - | - | - |
| Overdraft | Long-term | 20.00 | [ICRA]AAA (Stable) | Sep 30, 2024 | [ICRA]AAA (Stable) | Oct 05, 2023 | [ICRA]A (Stable) | - | - | - | - |
| Non-fund based limits | Long-term | - | - | Sep 30, 2024 | [ICRA]AAA (Stable) | Oct 05, 2023 | [ICRA]A (Stable) | - | - | - | - |
| Non-fund based – Interchangeable # | Long-term | (20.00) | [ICRA]AAA (Stable) | - | - | - | - | - | - | - | - |

- Includes non-fund based facilities (Bank guarantee/letter of credit) which is sublimit to overdraft

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|--|----------------------|
| Long-term Fund-based – Term loan | Simple |
| Long-term Fund-based – Overdraft | Simple |
| Long Term – Non-fund based – Interchangeable # | Very Simple |

sublimit to overdraft

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 | FY2025 | - | FY2040 | 610.00 | [ICRA]AAA (Stable) |
| NA | Overdraft | - | - | - | 20.00 | [ICRA]AAA (Stable) |
| NA | Interchangeable limits [#] | - | - | - | (20.00) | [ICRA]AAA (Stable) |

Source: Company; # - Includes Non-fund based facilities(Bank guarantee/letter of credit) which is sublimit to overdraft

[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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