

March 18, 2025

Brookfield India Real Estate Trust: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer rating	-	-	[ICRA]AAA (Stable); reaffirmed
Commercial paper	1250.0	1250.0	[ICRA]A1+; reaffirmed
Total	1250.0	1250.0	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation for Brookfield India Real Estate Trust (BIRET) factors in its diversified portfolio of assets¹ with healthy occupancy levels along with robust coverage metrics and low leverage, and inherent benefits of REIT regulations that restrict the extent of under construction assets in the portfolio to less than 20% of the asset value and the cap on leverage at 49% of the asset value. BIRET's assets are diversified across major cities such as Gurugram, Noida, Mumbai, Kolkata, Delhi and Ludhiana with a reputed and diversified tenant mix across sectors comprising of leading multi-national and Indian corporates, where in the top 10 tenants generate ~33% of gross contracted rentals as on December 31, 2024. The ratings positively factor in the improvement in the debt protection metrics on account of prepayment of debt after the successful equity raise of Rs. ~3500 crore in December 2024. The leverage as measured by net loan to asset value (net LTV)² declined to 24.7% as on December 31, 2024, from 34.5% as on September 30, 2024, and total debt/net operating income (NOI) is estimated to remain comfortable at 4.0-4.1 times as of March 2025 which provides strong financial flexibility to BIRET to fund its future organic as well as inorganic growth. With reduction in debt levels, the coverage metrics have improved and are expected to remain comfortable in the medium term.

BIRET's credit profile remains exposed to the inherent cyclicity in the real estate industry and vulnerability to external factors. BIRET has tenant leases contributing to ~1% and ~7% of the gross contracted rentals which will be due for expiry in Q4 FY2025 and FY2026, respectively. The vacancy risk is partly mitigated by reputed tenants with strong businesses and the lower-than-market rentals, which increases the tenant stickiness.

ICRA notes that BIRET may acquire some of the Brookfield Group assets in Bengaluru in the near to medium term. ICRA will continue to monitor the future asset acquisitions by the REIT and their consequent impact on the leverage. However, comfort can be drawn from the track record of the Brookfield Group in managing the assets and the strong financial flexibility of BIRET given healthy cushion in leverage. BIRET remains exposed to the inherent cyclicity in the real estate industry and vulnerability to external factors.

The Stable outlook reflects ICRA's opinion that the Trust will benefit from its large, diversified, and stable operational portfolio, comfortable debt protection metrics and long track record of the sponsor in managing the office assets.

¹ BIRET has assets admeasuring 28.9 million square feet (msf) of leasable area which includes completed area of 24.3 msf with committed occupancy of 87% as of December 2024 (80% as of December 2023) and under-construction area of 0.6 msf (2.1% of total area)

² For the purpose of LTV calculation, Net Debt is post accounting and minority adjustments as on December 31, 2024 with market value as on September 30, 2024, based on the valuation report.

Key rating drivers and their description

Credit strengths

Well diversified and large portfolio of assets with strong tenant profile – BIRET's has diversified portfolio of assets with healthy occupancy levels; robust coverage metrics and low leverage; and inherent benefits of REIT regulations that restrict the extent of under construction assets in the portfolio to less than 20% of the asset value and the cap on leverage at 49% of the asset value. BIRET's assets are diversified across major cities such as Gurugram, Noida, Mumbai, Kolkata, Delhi and Ludhiana with a reputed and diversified tenant mix across sectors comprising of leading multi-national and Indian corporates, where in the top 10 tenants generate ~33% of gross contracted rentals as on December 31, 2024.

Improvement in leverage and comfortable debt coverage metrics – BIRET's debt protection metrics improved on account of prepayment of debt post successful equity raise of ~Rs. 3500 crore in December 2024. The leverage as measured by net loan to asset value (net LTV) declined to 24.7% as on December 31, 2024, from 34.5% as on September 30, 2024, and total debt/net operating income (NOI) is estimated to remain comfortable at 4.0-4.1 times as of March 2025 which provides strong financial flexibility to BIRET to fund its future organic as well as inorganic growth. With reduction in debt levels, the coverage metrics have improved and are expected to remain comfortable in the medium term.

Track record of sponsor and REIT manager – As on December 31, 2024, Brookfield through its affiliates owns 31.72% of BIRET. The assets housed under BIRET have been historically managed by the management team of Brookprop Management Services Private Limited, which manages Brookfield properties in India, which is also part of Brookfield Group, which is one of the world's largest alternative asset managers. In India, Brookfield through its affiliates has an established track record of more than a decade with around USD 10 billion of real estate assets under management.

Credit challenges

Vulnerability of commercial real estate sector to cyclicalities – BIRET remains exposed to the inherent cyclicalities in the real estate industry and vulnerability to external factors. BIRET has tenant leases contributing to ~1% and ~7% of the gross contracted rentals which will be due for expiry in Q4 FY2025 and FY2026, respectively. The vacancy risk is partly mitigated by reputed tenants with strong businesses and the lower-than-market rentals, which increases the tenant stickiness.

Environmental and social risks

Environmental considerations – The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher costs of raw materials such as building materials and cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can impact its business operations. The effect of changing environmental regulations on licenses for property development could also create credit risks.

Social considerations – The downside social risks faced by REITs like BIRET could be said to be low. The demand for commercial office space, particularly those with good ancillary infrastructure and connectivity has been growing in India as the service economy expands. While there could be societal trends like preference for work-from-home, which could weigh on demand, on balance, the tailwinds for commercial real estate remain reasonably strong. Further rapid urbanisation and a large working age population will support the demand for commercial real estate in India and benefits REITs like BIRET.

Liquidity position: Strong

BIRET's liquidity position is supported by stable rental income from the underlying assets and low operational expenditure in the leasing business. Healthy fund flow from operations will be adequate to cover the debt servicing obligations.

Rating sensitivities

Positive factors – NA

Negative factors –

- Increase in indebtedness reducing the cushion for LTV of 40% on a sustained basis
- Decline in the committed occupancy to lower than 80% on a sustained basis
- Any non-adherence to the debt structure

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Real Estate Investment Trusts (REIT)
Parent/Group support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of BIRET and its subsidiaries (as mentioned in Annexure II)

About the company

BIRET is registered under SEBI's REIT Regulations, 2014, on September 14, 2020, in Mumbai. It is incorporated as a registered trust and listed through a public issue of units. BIRET was India's 3rd commercial office REIT, which was listed on February 16, 2021. As on December 31, 2024, BIRET has total of 10 SPVs holding 11 assets and one operational service provider with total operational area of 24.3 msf. It owns 100% of four SPVs and 50% of six acquired SPVs with the remaining 50% stake at 2 SPVs held by affiliates of GIC and for remaining 4 SPVs held by Brookfield group.

Key financial indicators

Consolidated	FY2023	FY2024	9M FY2025
	Audited	Audited	Provisional
Operating income	1,198.6	1,783.3	1767.9
PAT	131.2	-3.9	127.9
OPBDIT/OI	68.2%	70.2%	72.2%
PAT/OI	10.9%	-0.2%	7.2%
Total outside liabilities/Tangible net worth (times)	0.7	1.1	0.8
Total debt/OPBDIT (times)	6.7	9.6	6.9
Interest coverage (times)	1.9	1.5	1.5

Source: Company, ICRA Research; 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:

The company faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial covenants, operating covenants and rating linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years			
			Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
			Mar 18, 2025	May 24, 2024	Mar 21, 2024	Dec 22, 2023	--	--
1	Issuer rating	Long term	--	[ICRA] AAA (Stable)	[ICRA] AAA (Stable)	[ICRA] AAA (Stable)	--	--
2	Commercial paper	Short term	1250.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	--	--

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not Applicable
Commercial paper	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	Issuer rating	NA	NA	NA	--	[ICRA]AAA (Stable)
NA	Proposed commercial paper*	NA	NA	NA	1250.00	[ICRA]A1+

Source: Company; *yet to be placed

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Brookfield India Real Estate Trust	100% (Rated Entity)	Full Consolidation
Candor Kolkata One Hi-Tech Structures Private Limited	100%	Full Consolidation
Shantiniketan Properties Private Limited	100%	Full Consolidation
Seaview Developers Private Limited	100%	Full Consolidation
Festus Properties Private Limited	100%	Full Consolidation
Candor India Office Parks Private Limited	100%	Full Consolidation
Candor Gurgaon One Realty Projects Private Limited	50%	Full Consolidation (management control with BIRET)
Kairos Properties Private Limited	50%	Full Consolidation (management control with BIRET)
Rostrum Realty Private Limited	50%	Equity (Joint venture with Brookfield Group)

Source: BIRET and ICRA Research

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