

June 30, 2023

BIP Developers Pvt Ltd: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term loan	146.00	[ICRA]BBB- (Stable); assigned
Total	146.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating factors in TCG Urban Infrastructure Holdings Private Limited's (TCGUIH, parent company of BIP Developers Private Limited or BIPD) established track record of developing and leasing commercial real estate assets, having completed eight projects spanning an area of 4.2 million square feet (msf), spread over six cities. TCGUIH is the holding company for real estate activities of The Chatterjee Group (TCG) and BIPD is held 89% by TCGUIH and 10.5% by Bengal Intelligent Parks Private Limited (BIPL), which is a TCG Group entity. The rating notes the favourable location of BIPD's asset, First Technology Park (FTP), in Whitefield, which is one of the prominent IT hubs in Bangalore and its reputed tenant profile comprising IBM, Invitrogen and Axis Bank.

The rating is, however, constrained by the modest scale of operations with 2.98 lakh sqft of area leased by the single asset (FTP), with a total leasable area of 6.56 lakh sqft, moderate occupancy levels of ~45% as of March 2023 and high tenant concentration risk with the top three tenants accounting of 100% of the total leased area as of March 2023. BIPD is also exposed to geographical and asset concentration risks, which are inherent in project-specific special purpose vehicles (SPVs). The rating is constrained by the high leverage with Total Debt/Net Operating Income (NOI) expected at 7.6 times as of March 2024 and modest debt coverage metrics with DSCR lower than 1 times in FY2024 and 5-year average DSCR of 1.07 times (FY2024-FY2028). ICRA expects the parent, TCGUIH, to provide timely financial support to BIPD, for funding shortfall, if any, given their substantial financial linkages, its strategic importance for the parent and TCGUIH's reputation sensitivity to default. The rating is also constrained by the vulnerability of the debt coverage ratios to any fluctuations in interest rates and occupancy levels. The company is exposed to the cyclicity in the commercial real estate sector and vulnerability to external factors such as the Covid-19 pandemic. Any significant incremental loan and advances to Group companies adversely impacting the liquidity position will be a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that BIPD will be supported by the established track record of the TCG Group in commercial real estate segment, and the asset's favourable location and reputed tenant profile.

Key rating drivers and their description

Credit strengths

Established track record of TCGUIH in commercial real estate sector – TCG was founded by Dr. Purnendu Chatterjee in 1989. It has diversified interests, mainly in petrochemicals (Haldia Petrochemicals Limited, rated [ICRA]AA- (Stable)/A1+ (September 2022)), life sciences and healthcare (TCG Lifesciences Pvt Ltd, rated [ICRA]A (Stable)/A1 (March 2023)), real estate, outsourcing and technology services. It is present in the US, Europe and South Asia. TCGUIH serves as the holding company for the real estate activities of the TCG Group. TCGUIH, along with its subsidiaries, has a vast track record of developing assets and putting them on lease, having completed eight projects spanning 4.2 msf, spread over six cities.

Favourable location of BIPD’s asset and reputed tenant profile – BIPD’s asset, First Technology Park (FTP), located in Whitefield, which is one of the prominent IT hubs in Bangalore, has a reputed tenant profile comprising IBM, Invitrogen and Axis Bank.

Credit challenges

Modest scale of operations and moderate occupancy levels – The entity has modest scale of operations with 2.98 lakh sqft of area leased from the single asset FTP with a total leasable area of 6.56 lakh sqft, moderate occupancy levels of ~45% as of March 2023 and high tenant concentration risk with top three tenants accounting of 100% of the total leased area as of March 2023. BIPD is exposed to geographical and asset concentration risks, which are inherent in project-specific SPVs.

High leverage and modest debt coverage metrics – The company has high leverage with Total Debt/NOI expected at 7.6 times as of March 2024 and modest debt coverage metrics with DSCR of less than 1 times in FY2024 and 5-year average DSCR of 1.07 times (FY2024-FY2028). ICRA expects the parent, TCGUIH, to provide timely financial support to BIPD, for funding shortfall, if any, given their substantial financial linkages, BIPD’s strategic importance for the parent and parent’s reputation sensitivity to default.

Exposed to cyclicity inherent in commercial real estate sector, variation in occupancy levels and interest rates – The company is exposed to the cyclicity in the commercial real estate sector and vulnerability to external factors such as the Covid-19 pandemic. The company’s debt coverage ratios are vulnerable to any fluctuations in interest rates and occupancy levels.

Liquidity position: Adequate

BIPD’s liquidity position is adequate. The company has undrawn bank lines of Rs. 6.6 crore as of May 2023 and adequate unencumbered cash balances as of March 2023. The debt repayment obligations in FY2024 will be funded partly by cash flows from operations and any shortfall is expected to be met from the existing cash balances and parent support.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant increase in occupancy at adequate rentals resulting in an improvement in the debt coverage metrics and liquidity position on a sustained basis. Also, improvement in the credit profile of its parent, TCGUIH, could also result in an upgrade.

Negative factors – Negative pressure on the rating could arise if there is a pressure on occupancy or rental rates adversely impacting the leverage and debt coverage metrics. Any increase in debt level or significant support to Group companies severely affecting the liquidity profile could exert pressure on the rating. Any weakening of the credit profile of the parent, or any change in linkages/support philosophy between the entity and TCGUIH would be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Automobile Dealerships
Parent/Group support	TCG Urban Infrastructure Holdings Private Limited. ICRA expects the parent, TCGUIH, to provide timely financial support to BIPD, for funding any shortfall, given their substantial financial linkages, BIPD’s strategic importance for the parent and parent’s reputation sensitivity to default. TCGUIH has also extended corporate guarantee for part of the debt availed by BIPD.

Consolidation/Standalone*	For arriving at the rating, ICRA has considered financials of BIP Developers Private Limited (BIPD), along with Altius Management Advisors Private Limited (AMAPL), which have managerial linkages, majority shareholder is TCG Urban Infrastructure Holdings Private Limited and there are cross guarantees between the loans of these companies.
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* Details are provided in Annexure II

About the company

Incorporated in 2000, BIP Developers Private Limited, which is held 89.5% by TCGUIH and 10.5% by BIPL (another TCG Group entity), owns the asset, First Technology Park, in Whitefield, Bangalore. The property comprises three buildings namely Citius, Fortius and Altius, which spans a total leasable area of ~6.56 lakh sqft.

Key financial indicators

BIPD (consolidated)	FY2022	FY2023*
Operating income (Rs. crore)	35.6	29.8
PAT (Rs. crore)	23.2	12.6
OPBDIT/OI (%)	85.1%	74.7%
PAT/OI (%)	65.3%	42.5%
Total outside liabilities/Tangible net worth (times)	1.0	1.0
Total debt/OPBDIT (times)	6.8	9.5
Interest coverage (times)	1.5	0.7

Source: Company and ICRA Research; PAT: Profit After Tax, OPBDIT: Operating Profit Before Depreciation, Interest and Tax, OI: Operating Income, * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on March 31, 2023	Date & Rating on	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					June 30, 2023			
1	Term loan	Long Term	146.00	139.40	[ICRA]BBB- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2023	-	FY 2038	96.0	[ICRA]BBB- (Stable)
NA	Term loan	FY2023	-	FY 2026	50.0	[ICRA]BBB- (Stable)

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
BIP Developers Private Limited	-	Full Consolidation
Altius Management Advisors Private Limited	-	Full Consolidation

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