

October 27, 2023

Vikhroli Business City Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. Crore)	Rating Action
Proposed term loan	2700.00	[ICRA]A- (Stable); Assigned
Total	2700.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in Vikhroli Business City Private Limited's (VBCPL) strong promoters, wherein 50% stake is held each by entities owned by Mapletree Investments Pte Ltd. (Mapletree)¹ and Ivanhoe Cambridge Inc². 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 rating notes the favourable location of VBCPL at the intersection of two major arterial roads of Mumbai, i.e., Lal Bahadur Shastri (LBS) Marg and Jogeshwari Vikhroli Link Road (JVLR), 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 proposed construction finance (CF) debt, the sponsors will provide unconditional undertaking to fund any cost overruns and for timely debt servicing towards the debt.

The assigned rating is, however, constrained by VBCPL's exposure to execution risk as the project is in the nascent stage with around 10% of construction cost incurred as of June 2023. 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 65:35, wherein 60% of the total equity has been infused as of June 2023. It has tied up 87% of the total debt requirement, which is in the advanced stages of refinancing with a new CF loan, covering the entire debt requirement for the project. 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 in occupancy.

The Stable outlook reflects ICRA's expectation that VBCPL will benefit from the favourable project location supporting the leasing for the project, and the strong track record and exceptional financial flexibility of the sponsors.

¹Owned 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\$77.4 billion as on March 31, 2023.

²Ivanhoe 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 2022.

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 each by entities owned by Mapletree Investments Pte Ltd. (Mapletree) and Ivanhoe Cambridge Inc. Mapletree is a global real estate development and investment company, with a strong execution track record, and assets under management (AUM) of S\$77.4 billion as on March 31, 2023. 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. Ivanhoe 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 2022. The presence of strong promoters lends exceptional financial flexibility to the company. Further, as a part of the sanction terms for the proposed CF debt the sponsors will provide unconditional undertaking to fund any cost overruns and for timely debt servicing towards the debt.

Favourable location of the project – The project is located at the intersection of two major arterial roads of Mumbai, i.e., Lal Bahadur Shastri (LBS) Marg and Jogeshwari Vikhroli Link Road (JVLR). It also has good connectivity and is situated at distance of 1 km and 2 km from Kanjurmarg and Vikhroli stations, respectively. The location would also be connected by the upcoming Mumbai Metro Line 4 and 6, which are expected to become operational near 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 nascent stage with around 10% of construction cost incurred as of June 2023. 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 65:35, wherein 60% of the total equity has been infused as of June 2023. The company has tied up 87% of the total required debt, which is in the advanced stages of refinancing with a new loan, covering the entire debt requirement for the project.

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 65:35. Additionally, 60% of the total equity has been infused as of June 2023. The company has tied up 87% of the total required debt, which is in the process of being refinanced with a new CF loan covering the entire debt requirement for the project. The bullet repayment for the proposed debt will fall due in August 2027.

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 impact the company's ability to timely refinance the CF loan.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology- Debt backed by lease rentals
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 65:35. The project has a scheduled DCCO of August 2027.

Key financial indicators (audited): 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	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on June 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Oct 27, 2023				
1	Term loans	Long term	2700.00	1,212.8	[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	Proposed term loan	NA	-	-	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

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 4547 4829

anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Abhilash Sirsikar

+91 22 6169 3379

abhilash.sirsikar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

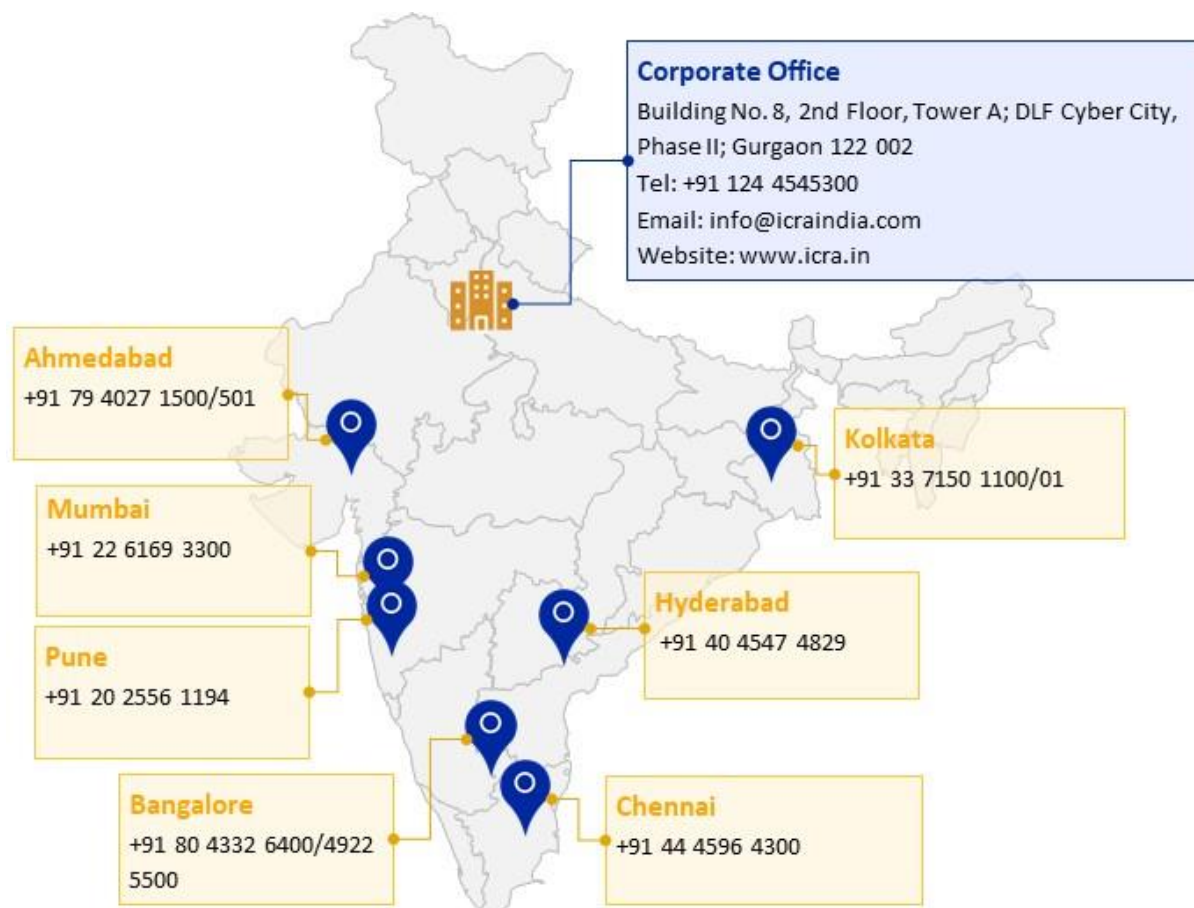


Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.