

Mr. NG Boon Wah
CFO
Bangalore Tower Private Limited
The Cube @ Karle Town Center, 2nd floor,
100 ft Road, Nada Prabhu Kempe Gowda Main Road,
Adjacent to Nagavara Lake, Bengaluru 560045

January 11, 2023

Dear Sir/Madam,

Re: Rating Letter for non-convertible debenture (NCD) programme of Bangalore Tower Private Limited

This is in reference to the rating action commentary released on 27th October 2022.

India Ratings and Research (Ind-Ra) is pleased to communicate the following rating:

- INR2,000million Proposed Non Convertible Debentures: IND BBB-/Stable

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security.

The manner of India Ratings' factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. India Ratings is not your advisor, nor is India Ratings providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Investors may find India Ratings ratings to be important information, and India Ratings notes that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to investors.

It will be important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings



Abhishek Bhattacharya
Senior Director

India Ratings Assigns Bangalore Tower and its NCDs 'IND BBB-'; Outlook Stable

Oct 27, 2022 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has assigned Bangalore Tower Private Limited (BTPL) a Long-Term Issuer Rating of 'IND BBB-' with a Stable Outlook. The instrument-wise rating action is as follows:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Proposed non-convertible debentures (NCDs)	-	-	-	-	INR2,000	IND BBB-/Stable	Assigned

Analytical Approach: Ind-Ra has taken a standalone view of BTPL. The rating factors in the inherent benefit of its association with Singapore-based Keppel Corporation Limited and its subsidiaries (the Keppel group).

Key Rating Drivers

Favourable Location of Metro Office Project to Support Demand: The under-construction commercial project is located in Yeshwanthpur, which is an emerging location in northwest micro market of Bangalore with established social infrastructure and connectivity. It has emerged as a new growth corridor due to the shifting of the airport to North Bangalore and houses some of large business houses and IT/ITeS companies. It has limited availability of Grade A offices and is located close to the central business district, leading to a healthy occupancy level of up to 96%. Ind-Ra believes that the limited availability of Grade A office space and developable land parcels in the vicinity of the project would benefit the proposed commercial development.

Strong Support from Sponsor Group: The tangible financial support provided by the parent and sponsor group is in the

form of regular equity infusions and compulsorily convertible debentures. The total balance cost of the project is estimated at around INR11 billion and is to be funded in a debt-equity ratio of 60:40. The sponsor invested INR2.16 billion till June 2022 in the project towards land consideration and approval-related costs. The sponsors have made further commitment of infusing INR4.75 billion in the form of compulsorily convertible debentures (of which INR724 million was infused in August 2022). The sponsor group enjoys a healthy financial flexibility to support the project, both in terms of committed contribution and to fund any cost overrun, if any. India as a market is gaining prominence in its portfolio and the Keppel group plans to expand its scale in the country. The proposed debt of INR4.45 billion is to be secured by a corporate guarantee of the sponsor, Singapore-based Keppel Land Limited, and the support is envisaged in future till the stabilisation of cash flows. The Keppel is one of the multinational groups in Singapore with key businesses in offshore and marine, property, and infrastructure, and has a presence in more than 20 countries.

Susceptibility to Project Implementation Risk in Developing Leasable Space: The project faces an implementation risk, given the asset is at an early stage of development. BTPL is developing the project with a total leasable area of 1.46 million square feet which is likely to be completed by June 2026. Although the project has received all the major approvals and construction has already commenced, it remains susceptible to time and cost overruns. Any delay in the project construction, leading to a delay in the operations and leasing of the project, can impact the cash flows. Hence, the timely completion and leasing of the area will continue to be a key rating sensitivity.

Project Yet to Achieve Financial Closure, Comfort Driven from Lower Loan-to-value (LTV) against Project: The company is tying up debt worth INR4.45 billion as against the estimated total debt requirement of INR7.25 billion. Moreover, as the tenor of such debt is shorter than the total period required to complete the project, BTPL will also have to refinance the same during the construction of the project. The proposed debt that is being tied up stipulates a debt cap of INR4.45 billion, which can impact the financial closure if the same is not being repaid on time. Ind-Ra notes that in the event of any delay or challenge to refinance the proposed debt and tie-up for the balance portion of debt at a later stage, it will jeopardise the completion of the project and remains key rating monitorable.

However, Ind-Ra derives comfort from the fact the asset enjoys lower LTV of 20% at the proposed level of debt of INR4.45 billion, even at the estimated peak debt level of INR7.25 billion, the LTV is unlikely to exceed 35%. In case the debt is to be converted into lease rental discounting, the facility that can be expected to be raised against the project on completion can be adequate to ensure servicing of the peak debt estimated for the project. Furthermore, as informed by the management, the asset may be eventually acquired by the one of the Keppel group companies or there could be a partial divestment to the extent of the terminal value, which will ensure sufficient liquidity towards retiring the peak debt raised towards the project.

Liquidity Indicator – Adequate, Provided Achievement of Financial Closure: BTPL had cash and cash equivalents of INR275 million as of March 2022. Its liquidity is adequate, driven by high probability of refinancing and upsizing the debt as the project progresses, backed by the comfortable LTV levels and support extended by the sponsor group. Its interest cost is funded as part of the project cost, thereby providing comfort during the construction phase. As the project progresses, BTPL will have to refinance and upsize the existing loan. Cash flows are likely to be adequate to service the principal debt due to bullet repayments at different intervals of the project, leading to moderate risk driven by low LTV and the sponsor support. Ind-Ra notes that the sponsor group has adequate financial flexibility to support the project, both in terms of committed contribution (under existing loan terms) and to fund any cost overrun.

Exposure to Cyclicity in Real Estate Sector: The real estate sector in India is cyclical and volatile, resulting in high fluctuations in cash inflows because of volatility in realisations. Rental collections (key source of revenue) are susceptible to economic downturns, which constrain tenants' business risk profile and, therefore, occupancy and rental rates. However, Ind-Ra believes the extensive experience of the Keppel group may help reduce the impact of the cyclicity in the real estate sector.

Rating Sensitivities

Positive: The following developments could, individually or collectively, lead to a positive rating action:

- pre-leasing of 25% of the area at reasonable rental rates along with the timely construction progress without any time/cost overruns
- the timely financial closure for the entire project debt amount at reasonable interest costs

Negative: The following developments could, individually or collectively, lead to a negative rating action:

- a delay or cost-overrun in the execution of the project
- higher-than-expected debt levels or lower-than-anticipated fund infusion by the sponsor group leading to the weakening of the capital structure.

Company Profile

Incorporated in October 2021, BTPL is developing a commercial project in Yeshwantpur, Bangalore, on a plot admeasuring 7.63 acres. The total leasable area of the under-construction commercial office project is 1.46 million square feet. BTPL is 100% held by entities affiliated to Keppel Land Limited and the property arm of the Keppel group.

FINANCIAL SUMMARY

Particulars (INR million)	Q1FY23 (Provisional)	FY22 (Provisional)
Revenue	1	2
PBT	-28	-43
Interest expenses	62	240
Gross debt	2,702	3,267
Cash	115	275
Net debt	2,587	2,991
Inventory	5,133	5,071
Tangible net worth	1,695	1,738
Net debt/inventory (x)	0.50	0.59
Net debt/Tangible net worth (x)	1.53	1.72
Source: Company		

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Aparna Chaughule

Associate Director

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001775

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Pranav Nagar

Senior Analyst

+91 22 40001748

Chairperson

Prashant Tarwadi

Director

+91 22 40001772

Media Relation

Ankur Dahiya

Senior Manager – Corporate Communication

+91 22 40356121

APPLICABLE CRITERIA

Evaluating Corporate Governance**Corporate Rating Methodology****DISCLAIMER**

All credit ratings assigned by india ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.indiaratings.co.in/rating-definitions>. In addition, rating definitions and the terms of use of such ratings are available on the agency's public website www.indiaratings.co.in. Published ratings, criteria, and methodologies are available from this site at all times. India ratings' code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the code of conduct section of this site.