Keppel

Bangalore Tower Private Limited
CIN: U45309KA2021PTC152825
The Cube at Karle Town Centre, 5th Floor
Nada Prabhu Kempe Gowda Main Road
Adjacent to Nagavara Lake, Bengaluru - 560045
Tel: +91 80 6949 5555

October 24, 2024

The Manager,
Bombay Stock Exchange (BSE),
1st Floor, P J Towers,
Dalal Street,
Mumbai 400001

Dear Sir,

Sub: Intimation regarding obtaining of Credit Rating as required under Regulation 55 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref: ISIN **INE0LQT08018 Security Code 974664**

With reference to the above, we wish to inform you that, there is no change in credit rating of the Company. Following are the details of credit rating obtained from India Ratings and Research Private limited , a SEBI Registered Credit Rating Agency.

1	Credit rating obtained in respect of	Unsecured, Senior, Rated, Listed, Redeemable, Non-Convertible Debentures. issued in aggregate value INR 200,00,00,000/- (Indian Rupees Two Hundred Crores only)
2	Name of the Credit Rating Agency	India Ratings and Research Private limited
3	Date on which credit rating obtained	24th October 2024
4	Credit rating	IND BBB-/Stable
5	Revision in Credit rating	IND BBB-/Stable
6	Reason provided by the Agency for downward revision, if any	Not applicable

We request you to take the same on record.

For and behalf of Bangalore Tower Private Limited

Chandrashekar

Chandrashekar. S
Company Secretary and Compliance Officer

India Ratings Affirms Bangalore Tower's NCDs at 'IND BBB-'; Outlook Stable

Oct 24, 2024 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has affirmed Bangalore Tower Private Limited's (BTPL) non-convertible debentures' (NCDs) rating as follows:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	INR2,000	IND BBB-/Stable	Affirmed

*Details in Annexure

Analytical Approach

Ind-Ra continues to take a standalone view of BTPL while factoring in the inherent benefit of its association with Singapore-based Keppel Corporation Limited and its subsidiaries (the Keppel group).

Detailed Rationale of the Rating Action

The affirmation reflects the continued benefit of BTPL's association with Singapore-based Keppel Group and the availability of strong support from the latter in the form of a corporate guarantee and continuous equity infusion. The ratings also reflect the delayed completion of phase 1 of the project, which was completed in May 2024 against the management's expectations of January 2024. However, since phase 1 was completed well within the scheduled commercial operation date timeline of March 2025, as per the sanction letter, it should not pose a major challenge. Additionally, BTPL is yet to raise debt for the construction of phase 2 of the project, and thus, has not achieved financial closure. However, the management has confirmed that they are in advance discussions with lenders and expect to obtain the additional sanction shortly. This remains a key monitorable.

List of Key Rating Drivers

Strengths

- Favourable location of metro office project to support demand
- Strong support from sponsor group
- Adequate liquidity, subject to achievement of financial closure

Weaknesses

- Susceptibility to project implementation risk in developing leasable space
- Project yet to achieve financial closure, but lower LTV against project provides comfort
- Exposure to cyclicality in real estate sector

Detailed Description of Key Rating Drivers

Favourable Location of Metro Office Project to Support Demand: BTPL's under-construction commercial project is located in Yeshwanthpur, which is an emerging location in the northwest micro market of Bengaluru, with established social infrastructure and connectivity. It has emerged as a new growth corridor due to the shifting of the airport to north Bengaluru and houses some of large business houses and information technology (IT)/ information technology enabled services (ITeS) companies. It has limited availability of Grade A offices and is located close to the central business district, leading to almost nil vacancy. 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 parent and sponsor group have been providing tangible financial support to BTPL in the form of regular equity infusions and compulsorily convertible debentures. BTPL's total sanctioned debt of INR4,450 million is secured by a corporate guarantee of the sponsor, Singapore-based Keppel Management Limited (previously known as Keppel Land Limited), and the support is envisaged to continue until the cash flows stabilise. As of June 2024, the total balance cost of the project was estimated at around INR10,501 million, which would be funded in a debt-equity ratio of 60:40. The sponsor had invested INR3,895 million in the project until June 2024 towards land consideration and approval-related costs. The sponsors have made a further commitment of infusing about INR3,000 million in the form of compulsorily convertible debentures. The sponsor group has healthy financial flexibility to support the project, both in terms of committed contribution and to fund any cost overruns.

India as a market is gaining prominence in its portfolio and the Keppel group plans to expand its scale in the country. 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.

Adequate Liquidity, Subject to Achievement of Financial Closure: Please refer to the liquidity section.

Susceptibility to Project Implementation Risk in Developing Leasable Space: The project faces an implementation risk, given the asset is at a nascent stage of development. BTPL is developing the project with a total leasable area of 1.46 million square feet, wherein occupancy certificate (OC) is likely to be received by 4QFY27. Phase 1 has been completed and the company expects it to be handed over in October 2024. For phase 2, the company has sought approval for the development plan and expects to receive the same by December 2024, procurement of additional floor area ratio (from 3.25 to 4.25) is yet to be finalised, and commencement certificate for phase2 is likely to be received by October 2025, post the completion of four basements. Consequently, the project 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, timely completion and leasing of the area will continue to be a key rating sensitivity.

Project Yet to Achieve Financial Closure, but Lower LTV against Project Provides Comfort: The company has tied up debt worth INR4,450 million against the estimated total debt requirement of INR8,494 million; however, this does not correspond to the debt required for the retention and final claim amount of about INR1,880 million since the same would be required post completion of the project. 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 sanctioned debt that has been tied up stipulates a debt cap of INR4,450 million, which can impact the financial closure if the same is not being repaid on time. Any delays or challenges with regards to refinancing the proposed debt and tying the balance portion of debt at a later stage will jeopardise the completion of the project; this remains a key rating monitorable.

However, Ind-Ra derives comfort from the fact the asset benefits from lower LTV of 20% at the current sanctioned debt of INR4,450 million; even at the estimated peak debt level of INR8,494 million during the construction phase of the project, the LTV is unlikely to exceed 38%. In case the debt is to be converted into lease rental discounting, the facility that might be raised against the project on completion can be adequate to ensure servicing of the peak debt estimated for the project construction and the retention amount and final claim amount (INR1,880 million), which has to be paid after the completion of the project. Furthermore, as informed by the management, the asset might be eventually acquired by Keppel fund & 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.

Exposure to Cyclicality 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 might help reduce the impact of the cyclicality in the real estate sector.

Liquidity

Adequate, Subject to Achievement of Financial Closure: BTPL had cash and cash equivalents of INR283 million at FYE24 (FYE23: INR342 million). 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 to be sourced from equity infusions, thereby providing comfort during the construction phase. As the project progresses, BTPL will have to refinance and upsize the existing loan. Its cash flows are likely to be adequate to service the principal debt due to bullet repayments at different intervals of the project, and this along with low LTV and sponsor support lead to moderate risk. 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.

Rating Sensitivities

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

- progress in the project with at least 30% of the total project cost (excluding interest cost) incurred and all basic approvals obtained for phase 2, without any time/cost overrun
- timely financial closure for the project as envisaged
- strengthening of the linkages with the parent and sustained improvement in the parent's credit profile

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

- continued delay or material cost overruns, resulting in executional challenges
- higher-than-expected debt levels or lower-than-anticipated fund infusion by the sponsor group, leading to a weakening of the capital structure
- weakening of the linkages with the parent or sustained deterioration in the parent's credit profile

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG factors are credit neutral or have only a minimal credit impact on BTPL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

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. Temasek Holdings (Private) Limited, the sovereign wealth fund of Singapore, owns 20.92% in Keppel Limited.

Key Financial Indicators

Particulars (INR million)	**FY24**	**FY23**
Revenue	709	465
PBT	(31)	(316)
Interest expense	276	475
Gross Debt	3,095	2,358

Cash	283	342
Net Debt	2,812	2,015
Investment Property Under Development	6,511	6,252
Tangible Net Worth (TNW)	3,263	2,998
Net Debt/ Investment Property Under Development	0.43	0.32
Net Debt/ TNW	0.86	0.67
Source: BTPL Financials		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/ Outlook	Historical Rating/Outlook		
				25 October 2023	22 September 2023	27 October 2022
Issuer rating	-	-	-	-	WD	IND BBB-/Stable
Non-convertible debenture	Long-term	INR2,000	IND BBB-/Stable	IND BBB-/Stable	-	IND BBB-/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low

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

Annexure

Instrument	ISIN *	Date of Issuance	Coupon Rate	Maturity Date	Amount (million)	Rating/Outlook
Non-convertible debentures	INE0LQT08018	14 March 2023	9.8%	13 March 2026	INR2,000	IND BBB-/Stable

Source: NSDL

Contact

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

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