

Brookfield Properties

June 28, 2023

BSE Ltd.
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P J Towers,
Dalal Street, Fort, Mumbai – 400 001
corp.relations@bseindia.com

Security Code No.: 958871; ISIN: INE09BC08019 (“Listed NCDs”)

Dear Sir/Madam,

Sub: Credit Rating

We wish to inform you that Rating Agency i.e. CARE Ratings Limited has placed the rating of Listed NCDs of Striton Properties Private Limited (SPPL) on CARE BBB; Stable as per the attached letter.

We request you to take the above information on record.

Thanking You
Yours Faithfully,

For **STRITON PROPERTIES PRIVATE LIMITED**

**(KANTILAL SUJANMAL SETHIA)
COMPANY SECRETARY
MEMBERSHIP NO-A6881**

Encl: A/a

STRITON PROPERTIES PRIVATE LIMITED

Registered Office: 401 and 402, 4th floor, Delphi A, Orchard Avenue, Powai, Mumbai - 400 076.

T: 022-68457900 **E:** kairos.legal@brookfield.com **W:** www.waterstoneshotel.com **CIN:** U70109MH2021PTC365237

Striton Properties Private Limited

June 12, 2023

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	1,150.00	CARE BBB+; Stable	Assigned
Non-Convertible Debentures	725.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities/instrument of Striton Properties Private Limited (SPPL) derives strength from the strong parentage of the company, with SPPL being a subsidiary of Project Diamond Holdings (DIFC) Limited (PDHL; 99.99% shareholding), owned by Brookfield Strategic Real Estate Partners II (BSREP II), Brookfield Corporation's (Brookfield) flagship real estate fund. Brookfield has a well-established track record in India, with its institutional ownership and well-established development and management track record across its India office portfolio. The rating further derives comfort from the prime and strategic location of Waterstones property in Mumbai.

The above rating strengths are however tempered by project execution risk, leveraged capital structure, leasing and refinancing risks. The rating is further constrained by inherent risk associated with cyclical nature of the real estate industry.

The rating on the NCD issued to Project Diamond FPI Holdings (DIFC) Limited (group company) takes into consideration the flexible repayment structure, wherein, the repayment of the debentures along with the accrued interest have a payable when able clause. However, the rating is constrained as compared to the bank facility owing to higher interest cost, lower cushion available to meet the obligations over the tenure of the rated NCD.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of project before the timelines envisaged, thereby providing an additional cushion for debt servicing.
- Any significant pre-leasing of commercial space, resulting in reduced leasing risk, thus conversion to LRD facilities.

Negative factors

- Any significant (more than 20%) increase in the project cost.
- Delay in the tie-up of lease rentals at envisaged rates, thereby resulting in an adverse impact on envisaged cash flows.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects construction progress as per envisaged schedule with continued financial support from parent (which is managed by Brookfield).

Detailed description of the key rating drivers:

Key strengths

Strong parentage

SPPL is a subsidiary of Project Diamond Holdings (DIFC) Limited (PDHL; 99.99% shareholding). Brookfield Corporation, the ultimate holding company of SPPL is managed by Brookfield. Brookfield is a leading global alternative asset manager, with 120 years of experience in owning and operating real estate assets, with a focus on investing in high-quality and premium assets across real estate, infrastructure, renewables, and private equity (PE).

Brookfield Properties has developed office spaces of approximately 8.80 million sq ft in India since 2015. The group has developed approximately 1-1.5 million sq ft per year since 2015 and is increasing the same to around 2 million sq ft per year. The majority of the assets have been acquired in Chennai, Bengaluru, and Pune from the RMZ group in December 2020, in the commercial real estate segment and 33,000 sq ft was acquired in Delphi B building in March 2021. Brookfield has been supporting the group

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

financially. Brookfield has infused funds amounting to ₹280.76 crore in FY21, ₹307.88 crore in FY22, ₹292.04 crore in FY23 and ₹16.00 crore in 2MFY24 in its various companies for operations and to meet any cash flow mismatch.

Prime and strategic location of Waterstones property in Mumbai

The Waterstones property is situated on a 10-acre land in the Western corridor of Mumbai, 5 km from the Mumbai International Airport and 15 km from the Bandra-Kurla Complex (BKC). The location is mid-way to Powai and Equinox Properties of the group (6 km or 20 mins each side).

Flexible repayment structure of the NCD

The NCDs have been issued by Kairos Property Managers Private Limited (KPMPL) in June 2019 to part-fund the acquisition in Mars Hotels and Resorts Private Limited (MHRPL), whose assets have now been transferred to SPPL and have been structured to provide flexibility for redemption of principal and accrued coupons, with debentures to be redeemed at par at the end of 10 years from the deemed date of allotment, at the option of SPPL. There was no coupon payment for the first two years of allotment (i.e., up to June 2021), and thereafter, the coupon may be accrued (depending upon cash flow availability) and paid along with redemption. The debt servicing associated with the NCD is based on the availability of the underlying cash flow and the flexibility thus provides sufficient cushion for redemption through a longer timeline available.

Key weaknesses

Project execution risk

The estimated cost of the project executed by SPPL is ₹1,237 crore, which is to be funded through a term loan (sanctioned) of ₹1,150 crore and the balance through own funds. As on March 31, 2023, ₹434.70 crore has been incurred, which was funded primarily through a term loan of ₹394.60 crore and the balance ₹40.10 crore through own funds. The funding risk is moderate, given that the land and all the approvals are in place, and the construction loan is drawn down in phases. The company has currently tied up for a debt of ₹1,150 crore, of which ₹394.60 crore has been disbursed and used towards construction. In terms of physical development, as on March 31, 2023, about 98% of the excavation work and 100% of the shore-piling work have been completed. Currently, the construction upto ground floor is completed. The balance construction of 11 floors is crucial since only part commencement certificate (CC), i.e., CC till 9th floor is received.

The construction of the building structure, such as civil and building works and mechanical, electrical and plumbing (MEP) is handled by Shapoorji Pallonji and Company Private Limited. The timely execution of the project, without any cost and time overrun, will be critical from the credit perspective. Nevertheless, comfort can be derived from the group having executed projects of such size and nature in the past.

Furthermore, the Waterstone hotel and club are not operational since FY23. SPPL has demolished the hotel and plans to build service apartments due to higher demand. The project is in the planning stage and the cost of the project and means of finance is yet to be finalised.

Leveraged capital structure

SPPL has raised bank debt of ₹1,150 crore for the Waterstones project. These construction loans are to be converted into lease rental discounting (LRD) loans in FY26 after a bullet repayment in September 2025.

Also, the NCD issued to the parent (Brookfield) has a payable when able clause, but the NCD has a higher interest rate compared to the term loan, leading to lower cushion available to meet the obligations over the tenure of NCD. The debt is expected to remain on the higher side in the near to medium term.

Risks associated with leasing out the total space being developed

The group companies of SPPL, KPMPL and Equinox Business Parks Private Limited (EBPPL), already have a reputed clientele in the commercial, IT/ITES and BFSI spaces, who have occupied office spaces at its Powai and Kurla properties respectively. Although the existing relationships with the renowned clientele provide future expansion and consolidation potential, there prevail the risks associated with the timely leasing out of total office space being developed at Waterstone, at favourable rental rates.

Refinancing risk

SPPL has applied for construction loans, which are proposed to be converted into LRD loans in FY26. The proposed conversion of construction loans into LRD loans will be subject to the timely construction as well as leasing. Given the dependence of the non-convertible debenture (NCD) redemption issued by KPMPL on the project cash flows (including LRD loans inflow) of SPPL, the company is subject to moderate refinancing risk.

Inherent risk associated with cyclical nature of the real estate industry

The company is exposed to the cyclicity associated with the real estate sector, which has direct linkage with the general macroeconomic scenario, interest rates and level of disposable income available with individuals. In case of real estate companies, the profitability is highly dependent on the property markets. A high interest rate scenario could further discourage the consumers from borrowing to finance the real estate purchases and might depress the real estate market.

Liquidity: Adequate

The liquidity profile of SPPL stands adequate with free cash and bank balance of Rs. 10.32 crores as on March 31, 2023. No principal repayment is to be done until September 2025, which will be refinanced, and any shortfall will be funded by the parent. The repayment of NCD is also flexible (depending upon cash availability), which provides sufficient cushion for redemption through a longer timeline available. Furthermore, the interest servicing will be done through financial support from its parent. Thus, liquidity derives comfort from strong parentage and timely infusion of funds to meet any cash flow mismatch.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy On Curing Period](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology for Debt backed by lease rentals](#)

About the company and industry**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

SPPL is a subsidiary of PDHL (99.99% shareholding) which is part of Brookfield group. According to the composite scheme filed with NCLT, the business of MHRPL merged into KPMPL and further, all the assets and liabilities of MHRPL were transferred to SPPL. Also, the NCD was delisted from KPMPL and transferred to SPPL post-merger.

SPPL was incorporated on September 04, 2021 to own the total land parcel of Waterstones Business Park, a 9-acre property located in the Western corridor of Mumbai. The company is developing a 1.18 million sq ft commercial space at the said premises.

Brief Financials (₹ crore)	March 31, 2022 (Prov.)	March 31, 2023 (Prov.)
Total operating income	10.70	0.07
PBILDT	-7.12	-2.42
PAT	-69.06	-124.56
Overall gearing (times)	-2.47	-2.35
Interest coverage (times)	-0.11	-0.02

Prov.: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE09BC08019	27-06-2019	14%	June 2029	725.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	September 2025	1150.00	CARE BBB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	1150.00	CARE BBB+; Stable				
2	Debentures-Non Convertible Debentures	LT	725.00	CARE BBB; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not Applicable
Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Complex
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in</p>	<p>Analytical Contacts</p> <p>Divyesh Bharat Shah Director CARE Ratings Limited Phone: 020-4000-9000 E-mail: divyesh.shah@careedge.in</p> <p>Ruchi Sanghavi Assistant Director CARE Ratings Limited Phone: +91-22-6754-3554 E-mail: ruchi.shroff@careedge.in</p> <p>Aashvi Shah Analyst CARE Ratings Limited E-mail: Aashvi.Shah@careedge.in</p>
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About us:

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