

Whispering Heights Real Estate Private Limited

September 22, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,525.00	CARE BBB+; Stable	Revised from CARE BBB; Stable
Long-term / Short-term bank facilities	50.00	CARE BBB+; Stable / CARE A3+	Revised from CARE BBB; Stable / CARE A3+
Non-convertible debentures (NCDs)/ Subordinate debt	156.00	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to debt instrument and revision in the ratings to the bank facilities of Whispering Heights Real Estate Private Limited (WHREPL) factor in the completion of commercial building along with part lease tie-ups as envisaged with reputed tenants. The long lease tenors along with lock-ins for existing leases and rentals from proposed leases provides medium-term revenue visibility. CARE Ratings Limited (CARE Ratings) also notes that fit outs from tenants reduces vacancy risk to certain extent.

The ratings consider the favourable location of the property being located at Worli, Mumbai, which enhances marketability. The micro market is one of the prominent employment hubs in Mumbai which is also accessible to potential tenants from adjacent area of Lower Parel. The ratings also derive comfort from WHREPL's comfortable loan-to-value (LTV) and satisfactory debt/ rental estimated for medium term. WHREPL's ability to ramp-up lease tie-ups for major portion of the property is expected to facilitate early conversion of construction finance (CF) into lease rental discounting (LRD) loans from scheduled bullet repayments in March 2025 and August 2025.

The ratings continue to factor in the strong profile of WHREPL's sponsors, namely, K Raheja group and Reco Solis Private Limited, a step-down subsidiary of GIC (Reality) Private Limited. The K Raheja group has a demonstrated track record of timely execution of the projects in the real estate space and is one of the leading players in the commercial real estate segment in Mumbai. The ratings also favourably factor in the high financial flexibility available to WHREPL being part of the K Raheja group.

The rating strengths are, however, tempered by significant market risks given major portion of the asset is yet to be tied up, refinancing risk, interest rate fluctuation risk and geographical concentration risk arising from single asset ownership.

The rating on subordinate debt- non-convertible debentures (NCDs), takes into consideration the flexibility of WHREPL to meet the debt obligations anytime until the end of the tenure of 20 years. However, the rating is constrained as compared to the senior debt owing to the lower priority of subordinate debt to meet the obligations over the tenure of the rated NCDs.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Occupancies above 70% for FY25 and rental rate above envisaged levels.
- Substantial conversion of CF into LRD before March 2025.

Negative factors

- Occupancies below 50% or significant lower rental rates by FY25, impacting the company's ability to timely refinance the CF.

Analytical approach: Standalone.

Although standalone approach is adopted by CARE Ratings, the rating factors in the ownership of K Raheja Corp and the GIC Group.

Outlook: Stable.

The stable outlook reflects CARE Ratings' expectation that the project being on its verge of completion, WHREPL would possibly be able to ramp-up leasing activities on account of favourable project location thereby timely conversion of CF into LRD, benefited from strong operational track record of the sponsors.

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

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful promoters

WHREPL is a 50-50 joint venture (JV) between K Raheja Group and RECO Solis Private Limited (owned by GIC Reality Private Limited [GIC Reality], owned by Government of Singapore). The K Raheja group has over six decades of experience in real-estate space and has completed various projects across India. The group has completed projects having a commercial leasable area of more than 30 Mn Sft and 8 Mn Sft area under various stages of development, for commercial leasing. Reco Solis Private Limited is a 100% step-down subsidiary of GIC Reality, which is owned 100% by Government of Singapore Investment Corporation (GIC). GIC Reality is the real-estate arm of the Government of Singapore sovereign wealth fund, having investments in real estate projects across Asia. The company has invested in several marquee projects in India over the last decade.

Favourable location of the project

The company has developed a real estate project for commercial leasing, located at Worli Central Mumbai. The company has leased 3.10 acres of land from Brihanmumbai Municipal Corporation (BMC), with a planned leasable area of about 1.0 Mn Sft. The site is located in the extended business district, which has spill-over of demand from central business district comprising Fort, Cuffe Parade, Nariman Point, etc. The location has witnessed significant social and infrastructural development since past few years. Proximity to hospitals, railway stations, retail complexes and other parts of the city in particular to Lower Parel adds on to its favourable location.

Advance stage of project

WHREPL has a total project cost of ₹2,235 crore funded through mix of debt (68%) and equity (32%), respectively. As on June 30, 2023, the company has incurred 80% (73% December 31, 2022) of the total project cost. Remaining cost is towards development of common areas and other finishing works. Structure of the project is ready with bare shell which is offered for leasing to prospective tenants. Pending cost to be incurred is expected to get funded through un-drawn debt portion. WHREPL possibly may conclude project cost lower than estimated total cost on account of relatively lower construction/approval expenses. As on September 15, 2023, 20% of the total leasable area has been signed with reputed tenants for which rentals are expected to commence from Q4FY24 and Q1FY25 in phases due to rent free period offered to tenants for fitouts. For the fiscal 2024 and 2025, occupancies are expected close to 34% and 70% respectively.

Moderate leverage profile

With the existing debt size of ₹1,525 crore, WHREPL has a comfortable LTV of 53% improved from 78% as on December 31, 2023. Given the estimated occupancy level and rentals by FY2025, the project is expected to maintain satisfactory debt/rental of close to 6x over medium term.

Key weaknesses

Exposed to market risk

Given the advanced stage of project execution and major lease tie-ups yet pending as on September 15, 2023, WHREPL is exposed to significant market risks. Presence of competitive projects in vicinity further increases the exposure of risk. Nevertheless, quality development with Leadership in Energy and Environmental Design (LEED)- platinum-certified sustainable buildings and favourable location of the project is likely to benefit in process discussions with several prospective tenants in terms of occupancies and rentals over short to medium term. Ramp-up in leasing remains a key rating monitorable.

Concentration risk

WHREPL is exposed to geographic concentration risk due to presence at a single location with a single asset. In the absence of any major lease tie-ups, risks might arise due to any decline in demand trends in the specific micro-market or any region-specific adverse event impacting the operations of the property.

Refinancing risk

CF has scheduled bullet repayment at the end of fifth year, i.e., FY25 (March 2025) and FY26 (August 2025) exposes WHREPL to refinancing risk. Going forward, lower-than-expected leasing could adversely impact the company's cash flow position and its

ability to refinance the construction loan. Any gap in conversion of CF due to lower occupancy is expected to get funded through sponsor's contribution.

Liquidity: Adequate

The company has bullet repayments at the end of fifth year; hence, there is no repayment obligation before FY25. It has a monthly interest obligation of around ₹6.00 crore which is getting capitalised. Against the same, the company has cash and bank balance of ₹15 crore and un-utilised OD limit to the extent 60-70% as on June 30, 2023.

Assumptions/Covenants: Not available.

Environment, social, and governance (ESG) risks: Not applicable.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

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

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

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

Incorporated in October 2016, WHREPL is a 50-50 JV between K Raheja Group and Reco Solis Private Limited (a 100% step-down subsidiary of GIC Realty which is owned by Government of Singapore). The company is currently engaged in development of 3.10 acres of land leased from Brihanmumbai Municipal Corporation, located at Worli, Mumbai, to be used for commercial leasing post completion of the construction by June 2023. The project consists of a single Grade-A tower with total leasable area of 1.0 Mn sft spread across basement+ground+8 parking floor+ stilt+ service floor+ 33 office floors.

Brief financials: Not meaningful, as the company is a project stage entity.

Status of non-cooperation with previous CRA: Not applicable

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan	-	-	-	Aug 2024	1525.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	50.00	CARE BBB+; Stable / CARE A3+
NCD/ Subordinate debt	INE290W08018	Sep 18, 2017	13.00	Sep 17, 2037	156.00	CARE BBB; Stable

*LT: Long-term; ST: Short-term

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	1525.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (17-Mar-23)	1)CARE BBB; Stable (10-Jan-22)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	50.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (17-Mar-23)	1)CARE BBB; Stable / CARE A3+ (10-Jan-22)	-
3	NCD/ Subordinate debt	LT	156.00	CARE BBB; Stable	-	-	-	-

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	Fund-based - LT-Term loan	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple
3	NCD/Subordinate debt	Simple

Annexure-5: Lender detailsTo 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

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About us:

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