



## Press Release

### Karle Infra Private Limited (KIPL)

February 07, 2025

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities	2,741.34 (Enhanced from Rs. 2056.72 crore)	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	Rating reaffirmed	Simple
<b>Total</b>	<b>2,741.34</b> <b>(Rupees Two Thousand Seven Hundred and Forty-One Crore and Thirty-Four Lakh only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The reaffirmation of rating by Infomerics Ratings to the bank facility of Karle Infra Private Limited continues to derive strength from established track record, stable cash flow from lease rentals, supported by healthy occupancy with diversified clientele, strategic location of the project, escrow with waterfall mechanism backed by maintenance of DSRA and strategic investments and infrastructure developments for future growth. The rating is however constrained by exposure to contract renewal or sudden exit of large tenants impacting cash-flows, project execution risk and high exposure to group companies.

The stable outlook reflects the fact that the entity will continue to benefit from nature of business and extensive experience of promoters in the real estate field.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial & sustained improvement in the company's revenue and profitability leading to improvement in debt protection metrics.
- Substantial improvement in liquidity profile of the company.
- Optimum occupancy of existing Hub along with scheduled rent escalation collectively leading to improvement in debt protection metrics.



## Press Release

### Downward Factors

- Any decline in the revenue and profitability and/or increase in the debt leading to any deterioration in debt protection metrics and/or liquidity.
- A fall in occupancy and/or average rental rate leading to deterioration in debt protection metrics.
- Non achievement of project progress of Hub 5 and NWCM as per the schedule arising out of any company specific or external factor will be negative for the rating.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established track record**

Karle Infra Private Limited (KIPL) is a prominent real estate and urban infrastructure development company based in Bengaluru, India. With over two decades of experience in the related field, the company is currently dedicated to the creation of a community-oriented township known as "Karle Town Centre" (KTC). Situated adjacent to the 90-acre Nagavara Lake in Hebbal, North Bengaluru, this project represents a 'Grade A' development along the outer ring road, strategically positioned enroute to the International Airport and Manyata Tech Park. Moreover, it enjoys excellent connectivity to the central and eastern regions of the city. Notably, the Manyata Tech Park is fully leased, housing offices of major IT giants. KIPL three commercial leasing properties, namely HUB1, HUB 2, and HUB 4 is already operational. Furthermore, the company is currently in the process of constructing another commercial property, HUB 5, set to be available for lease and scheduled for completion by March 2026 (extended by 12 months from earlier March 2025). The company also added a new project Northwest commercial multiuse (NWCM) during the current year which is expected to be completed by 31<sup>st</sup> January 2027. Additionally, KIPL is actively engaged in the construction of a residential project called "Pinnacle" under a Joint Development Agreement (JDA) in collaboration with a group of NRI doctors.



## Press Release

- **Stable cash flow from lease rentals, supported by healthy occupancy with diversified clientele**

Presently the company has a total leasable area of around 16.91 lakh square feet pertaining to three of its already constructed commercial building named, HUB 1, HUB 2 & HUB 4. Presently, the entire area is leased out to moderately diverse client base of around 27 clients with major client being Diageo Business Services India Pvt Ltd, H&M, Becton Dickson Technology, Rocket Software Development India Private Limited, Conversant Software Development Services LLP, Concentrix Daksh Services India Pvt Ltd, HCL Technologies, etc. There is a well-structured lease structure placed in with lock-in period, notice period and an in-built revenue escalation clause for most of its tenants. Presently, the occupancy is almost 100%. The total operating income for the company increased to Rs. 189.94 crore in FY24 (Audited) [refers to period April 1, 2023, to March 31, 2024] from Rs. 162.89 crore in FY23 (Audited) [refers to period April 1, 2022, to March 31, 2023]. Furthermore, the company lease rental incomes have increased by ~14% in FY24 as compared to FY23. Notably, the company has proven its ability to effectively lease out properties, particularly as the entire present leasable area falls under the SEZ category, and approximately 65% of the current lease rentals are derived from well-established multinational corporations.

- **Strategic location of the project**

The property benefits from its distinguished location of being in a Special Economic Zone (SEZ), giving it a competitive advantage and operational synergies. The tenants enjoy indirect tax exemptions, a certain income-tax holiday, and other financial benefits for leasing out office spaces in the SEZ commercial place. Further, there are no major SEZs in and around the project, which is an added advantage for the company. Also since the company was getting lot of enquiries for non-sez office spaces, specially with requirement of standalone building by MNC banks operating in nearby tech parks and others, they have planned to build 650,000 sq. ft. of lake face commercial building, which is called as North West commercial multiuse (NWCM).



## Press Release

- **Escrow with waterfall mechanism backed by maintenance of DSRA**

As per sanctioned terms, the rating draws comfort from the escrow mechanism for lease rental discounting – Term loan through which cash flows from lease rentals are routed and used for payment as per defined payment waterfall. The company also maintains debt service reserve account (DSRA) equivalent to three months interest and principal with the bank in the form of fixed deposit with the bank. The amount in the DSRA would be utilized only in case of a shortfall in cash flows for meeting debt service requirements from time to time.

- **Strategic investments and infrastructure developments for future growth**

All these days the company was concentrating on building and leasing only SEZ office spaces in the 25 acres of notified land. As, they were getting lot of enquiries for non-sez office spaces, specially with requirement of standalone building by MNC banks operating nearby tech parks and others, the company has planned to build 650,000 sq. ft. of lake face commercial building, which is called as Northwest commercial multiuse (NWCM) with a total cost of Rs 412.50 Cr. excluding interest during construction. The company got sanctioned construction finance of Rs 350.00 crore for the new “NWCM” project. This building comprises of 4B + G + 26 floors + Terrace upper floors. The project will be developed in two phases, i.e., Phase I and Phase II. Phase I comprises of 4B+ G + 14 upper floors and phase II comprises of additional 12 upper floors after including the project in KTC. They have already completed construction of 4 basements and Ground plus 2 floors. The expected commercial operation date (COD) for NWCM is 31<sup>st</sup> January 2027. The physical progress as per LIE report dated 23<sup>rd</sup> October 2024 stood at 28% for NWCM. The company is on track to complete this project by 31<sup>st</sup> January 2027, having secured financial backing from a bank, which will be converted into a Lease Rental Discounting loan (LRD) after project completion.

### Key Rating Weaknesses

- **Exposure to contract renewal or sudden exit of large tenants impacting cash-flows**

Major lease agreements made are of long term in tenure of 15 years, with a certain lock-in period. Once the lock-in period is over, the tenant could move out, which can adversely impact the rental inflows. However, this risk is mitigated by the notice period to be served,



## Press Release

long-term relationship with various client and strategically well-located area along with SEZ benefits.

- **Project execution risk**

The company's HUB 5 project and NWCM is under construction, any external and/or internal factors may delay the project resulting in time & cost overrun. The physical progress as on September end 2024 stood at around 59% for Hub 5. However, the project completion is delayed by around a year due to external factors and now the same is expected to be completed by March 2026. The extension of moratorium period is requested with the lenders. The repayment of the term loan for the same is scheduled to be start from April 2025 as per the sanctioned terms.

- **High exposure to group companies**

The book tangible net worth for the company stood at Rs.202.47 crore as on March 31, 2024. However, adjusted tangible net worth remains muted due to exposure in its group companies in form of investment and loans and advances to related parties.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Real estate entities](#)

[Rating Methodology for Lease Rental Discounting](#)

[Criteria of assigning Rating Outlook](#)

[Policy on Default recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

**Liquidity – Adequate**

Karle Infra Private Limited liquidity remains adequate on the account of lease rental receivables from the existing lease agreements, the surplus of which is moderately adequate to cover the debt repayment obligations. The company would be able earn a comfortable level of Gross Cash Accruals (GCA) going ahead in FY25 [refers to period April 1, 2024, to March



## Press Release

31, 2025], and the same is expected to improve during the projected period with increase in rental income which is adequate to meet the repayment obligations. Cash & Bank Balances as on 31<sup>st</sup> December 2024 stood at Rs. 17.49 Crore.

### About the Company

Karle Infra Private Limited (KIPL), is a real-estate and urban infrastructure development company headquartered in Bengaluru, India. With over two decades of experience in developing properties in Bengaluru, Goa and Mysore, the company is now focused on developing a community-centric township named, “Karle Town Centre”. KIPL has already constructed three commercial leasing properties, named: HUB1, HUB 2 and HUB 4. The company is constructing HUB 5 project comprising of 27 floors storey building with the basement area up to 5 floors. The company has also started construction of Northwest commercial multiuse (NWCM) comprising of 4B + G + 26 floors + Terrace upper floors. The NWCM project will be developed in two phases, i.e., Phase I and Phase II.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	162.89	189.94
EBITDA	106.76	120.10
PAT	-7.82	1.26
Total Debt	1,842.13	2,048.25
Adjusted Tangible Net Worth	-89.16	-65.33
EBITDA Margin (%)	65.54	63.23
PAT Margin (%)	-4.73	0.63
Adjusted Overall Gearing Ratio (x)	-22.34	-33.65
Interest Coverage (x)	1.35	1.51

\* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None



## Press Release

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					November 9, 2023	September 28, 2022	June 29, 2021
1.	Term Loan - Lease Rental Discounting	Long Term	1,634.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable
2.	Term Loan	Long Term	1,107.34	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB/ Stable	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).



## Press Release

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan - Lease Rental Discounting	-	-	-	December 2040	1,634.00	IVR BBB+/Stable
Term Loan	-	-	-	Upto November 2031	1,107.34	IVR BBB+/Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Karle-Infra-7feb25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)