

February 24, 2022

## One BKC Realtors Private Limited: Rating assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term Loans - Lease Rental Discounting	1,815.00	[ICRA]A- (Stable); Assigned
<b>Total</b>	<b>1,815.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

One BKC Realtors Pvt. Ltd (OBRPL) is part of entities owned or managed by The Blackstone Group Inc (the Sponsor). OBRPL owns 0.73 million square feet (msf) of leasable area in One BKC property in Bandra Kurla Complex (BKC), Mumbai. The assigned rating factors in the favourable location of the asset in BKC, the central business district of Mumbai Metropolitan Region (MMR). It reported a healthy committed occupancy of 98.3% as of November 2021, including the three new leases (19% of the total area) added in FY2022, where rent will commence in FY2023. The property has a reputed tenant profile, which includes Facebook India, DSP Merrill Lynch, Bank of America N.A. and Amazon, among others. The asset has moderate tenant concentration with top five tenants occupying 59% of the total leasable area as of November 2021. The rating favourably notes the strong track record of the company's sponsor, in developing and operating commercial real estate assets in India, and the high financial flexibility available to OBRPL, being a part of the sponsor Group. The company is expected to maintain an adequate liquidity profile, which is further supported by an escrow mechanism for the rental cash flows and a debt service reserve account (DSRA) equivalent to three months of interest payments.

The rating is, however, constrained by a moderate financial profile as reflected by a projected leverage (LRD debt/net operating income) of 7.50 times by March 2023 and five-year average debt service coverage ratio (DSCR) of 1.15 times. The rating is constrained by the vulnerability of the debt coverage ratios to fluctuations in interest rates and occupancy levels. With a significant portion of the leases falling due for renewal in FY2026, it is exposed to risks related lease renewals/vacancy. Further, with OBRPL being a single asset-owing company, the market risk is heightened in case of any vacancy/non-renewal of leases. Nonetheless, the risks are partly mitigated by the marquee asset profile and the favourable location of the property.

The company has availed debt in addition to the LRD debt, which is backed by stand-by letter of credit (SBLC) from the sponsors. Such debt is not secured by the property and its rentals. ICRA expects any debt servicing obligations arising from such debt to be supported by the sponsors.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that OBRPL will continue to benefit from its favourable location and tenant profile, which will help in maintaining a healthy occupancy. It also enjoys high financial flexibility as a part of a strong sponsor group.

### Key rating drivers and their description

#### Credit strengths

**Strong promotor group with established track record lends financial flexibility** – The Sponsor, which is India's leading office landlord with over 69.0 msf of offices across Bangalore, Pune, Hyderabad, Mumbai, NCR and Chennai. The sponsor has established leasing relationships with several blue-chip multinational companies as well as Indian corporates. The sponsor's

long track record in the real estate sector and the large, diverse portfolio in retail and commercial real estate business in India provides comfort and allows it to command financial flexibility. ICRA expects the sponsor to continue to support OBRPL in the event of any cash flow requirement.

**Favourable location of the property and high occupancy** – One BKC is a premium commercial property located in BKC, the central business district of MMR. The company is expected to benefit from limited supply in the BKC micro market as well as recent infrastructure development in the vicinity. BKC is an attractive destination for leading domestic and global corporates, and banking and financial services companies. OBRPL reported a committed occupancy of 98.3% as of November 2021, with a weighted average lease expiry term of around four years. The asset is leased to few marquee tenants such as Facebook India, DSP Merrill Lynch, Bank of America N.A., Amazon, among others.

**Presence of structural features such as DSRA and escrow mechanism** – The rent collections from the property are routed through an escrow mechanism, which prioritises servicing of the LRD debt. Further, the company is required to maintain DSRA reserves equivalent to three months' interest servicing. These features support OBRPL's liquidity profile.

### Credit challenges

**Moderate financial risk profile** – The company has a moderate financial profile as reflected by projected leverage (LRD debt/net operating income) of 7.50 times as of March 2023 and a five-year average DSCR of 1.15 times. With significant portion of the leases falling due for renewal in FY2026, OBRPL is exposed to risks related lease renewals/vacancy. Any additional debt availed by the company will have significant impact on the financial profile.

**Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels** – The cash inflow is susceptible to volatility in occupancy or rent rates, while the cash outflow is relatively fixed in nature except for fluctuations in interest rates. Further, as OBRPL is a single asset-owning company with moderate tenant concentration, the market risk is heightened in case of any vacancy/non-renewal of leases. The top five tenants occupied 59% of the total leasable area as of November 2021. Nonetheless, the risks are partly mitigated by the marquee asset profile and the favourable location of the property.

### Liquidity position: Adequate

The company's liquidity position is adequate. As on December 31, 2021, it had an adjusted<sup>1</sup> cash and liquid investments of Rs. 55 crore (excluding the DSRA of Rs. 5 crore). The DSRA will be built to an amount equivalent to three months of interest, as required by the bank, in the coming years from the future cash flows from the identified units. OBRPL's average monthly interest and principal repayment obligations for the LRD loans is around Rs. 13-14 crore over the next two years, which are adequately covered from the operational cash flows. The escrow mechanism in place for the project cash flows and the requirement for DSRA underpins the liquidity profile. Moreover, ICRA expects the sponsor to continue to support OBRPL in the event of any further cash flow requirement.

### Rating sensitivities

**Positive factors** – ICRA could upgrade OBRPL's ratings if there is a sustained increase in rent rates leading to better coverage metrics and improved operational cash flows. Reduction in debt leading to improvement in leverage (Debt to NOI of less than 7.25 times), on a consistent basis, will also be a positive factor.

**Negative factors** – Significant increase in vacancy leading to weakening of coverage metrics and liquidity position could exert negative pressure on OBRPL's ratings. Specific metrics that might result in a downgrade include five-year average DSCR declining to below 1.15 times on a sustained basis.

<sup>1</sup> Adjusted for committed outgo of around Rs. 40 crore towards identified investments

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt backed by Lease Rental</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

One BKC Realtors Pvt. Ltd (OBRPL) is part of entities owned or managed by The Blackstone Group Inc (the Sponsor). OBRPL owns and operates a commercial asset, One BKC, in BKC, MMR. It is one of the marquee assets in the region, with a leasable area of around 1.50 msf, of which 0.73 msf is owned by OBRPL. The asset has been operational for over five years.

## Key financial indicators (Audited)

	FY2020	FY2021
Operating Income (Rs. crore)	174.7	220.8
PAT (Rs. crore)	- 119.5	- 19.1
OPBDIT/OI (%)	28.4%	76.2%
PAT/OI (%)	-68.4%	-8.7%
Total Outside Liabilities/Tangible Net Worth (times)	4.2	4.7
Total Debt/OPBDIT (times)	37.5	12.6
Interest Coverage (times)	0.4	1.1

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Note: Interest Coverage considers the interest expense which includes the interest on loan backed by standby letter of credit (SBL) from the sponsor.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding # (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
					Feb 24, 2022	-	-	-	
1	Lease Rental Discounting	Long-term	1,815.00	1,729.31	[ICRA]A- (Stable)	-	-	-	

#As on August 31, 2021

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Lease Rental Discounting	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Lease Rental Discounting	February 2019	7.80%	FY2035	1,725.00	[ICRA]A-(Stable)
NA	Lease Rental Discounting	August 2021	7.80%	FY2035	90.00	[ICRA]A-(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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### Branches



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