

March 21, 2023

One BKC Realtors Private Limited: [ICRA]A- (Stable) withdrawn for earlier limits and assigned for new limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Lease Rental Discounting-I	1,815.0	0.0	[ICRA]A- (Stable); Withdrawn
Long-term - Lease Rental Discounting-II	0.0	2,112.0	[ICRA]A- (Stable); Assigned
Total	1,815.00	2,112.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the favourable location of the commercial property of One BKC Realtors Pvt. Ltd (OBRPL) in Bandra Kurla Complex (BKC) in Mumbai, which is the central business district of Mumbai Metropolitan Region (MMR), the healthy occupancy levels and strong tenant profile. OBRPL is part of entities owned and managed by The Blackstone Group Inc (the sponsor). The company owns 0.73 million square feet (msf) of leasable area in One BKC property in BKC, Mumbai. It reported a healthy committed occupancy of 98.8% as of December 2022 (98.3% as of November 2021). The property has a reputed tenant profile, which includes Facebook India, Bank of America N.A. and Amazon, among others. The asset has moderate tenant concentration risk with top five tenants occupying 61% of the total leasable area as of December 2022. 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 strong 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.

The rating is, however, constrained by the high projected leverage (LRD debt/net operating income) of 10.60 times for FY2023. Nonetheless, the debt coverage indicators are expected to be adequate with five-year DSCR of ~1.26 times as of March 2023, supported by the back-ended nature of debt repayments for the new LRD facility, which has been availed to refinance the earlier facility. 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 to 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 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 significant financial flexibility as a part of a strong sponsor group.

The rating for the LRD facility of Rs. 1,815 crore has been withdrawn as it has been fully repaid and there are no dues outstanding against it.

Key rating drivers and their description

Credit strengths

Strong promotor group with established track record lends financial flexibility – The sponsor 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 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 98.8% as of December 2022, with a weighted average lease expiry term of around four years. The asset is leased to few marquee tenants such as Facebook India, 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 10.6 times in FY2023. It has recently refinanced its earlier LRD facility with a new facility with a back-ended repayment schedule. Consequently, the debt coverage indicators are expected to be adequate with five-year DSCR of ~1.26 times as of March 2023. With significant portion of the leases falling due for renewal in FY2026, OBRPL is exposed to risks related to lease renewals/vacancy. Any additional debt availed by the company will have significant impact on its 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-owing company with moderate tenant concentration, the market risk is heightened in case of any vacancy/non-renewal of leases. The top five tenants occupied 61% of the total leasable area as of December 2022. 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 January 31, 2023, it had an unencumbered cash and liquid investments of ~Rs. 68 crore, and a DSRA balance of Rs. 33 crore. OBRPL’s average monthly interest and principal repayment obligation for the LRD loans is around Rs. 15 crore for the next two years, which are adequately covered from the operational cash flows. The escrow mechanism in place for the project’s 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 rating if there is a sustained increase in rent rates leading to better coverage metrics and improved operational cash flows.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rental ICRA Policy on Withdrawal of Credit Rating
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

One BKC Realtors Pvt. Ltd (OBRPL) is a 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)

	FY2021	FY2022
Operating income	220.8	219.9
PAT	(19.1)	(6.3)
OPBDIT/OI	76.2%	70.5%
PAT/OI	-8.7%	-2.9%
Total outside liabilities/Tangible net worth (times)	4.7	5.0
Total debt/OPBDIT (times)	11.5	13.3
Interest coverage (times)	1.1	1.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 06, 2023 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Mar 21, 2023	Feb 24, 2022	-	-
1 Lease Rental Discounting	Long-term	1815.0	0	[ICRA]A- (Stable); withdrawn	[ICRA]A- (Stable)	-	-
2 Lease Rental Discounting	Long-term	2,112.0	2074.4	[ICRA]A- (Stable)	-	-	-

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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Lease Rental Discounting	February 2019		FY2023	1725.0	[ICRA]A-(Stable), withdrawn
NA	Lease Rental Discounting	August 2021		FY2023	90.0	[ICRA]A-(Stable), withdrawn
NA	Lease Rental Discounting	February 2023	-	FY2038	2,112.0	[ICRA]A-(Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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