June 20, 2023 (Revised)

Cessna Garden Developers Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	2,530.00	2,530.00	[ICRA]A- (Stable); reaffirmed
Total	**2,530.00**	**2,530.00**	

Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Cessna Garden Developers Private Limited (CGDPL) continues to factor in the favourable location of its business park as reflected in its long track record of maintaining 100% occupancy with strong tenant profile and the long-term leases. The rating considers the strong track record of the sponsor, Blackstone Group, in the commercial real estate market and its high financial flexibility. The Aloft hotel's operating performance improved backed by an increase in occupancy to 69% in FY2023 (41% in FY2022) and REVPAR to Rs. 6,000 (Rs. 1,401 in FY2022). The operating profitability of hotel has improved to 37% (PY: 4%), which is likely to sustain going forward, driven by expected improvement in occupancy.

The rating is, however, constrained by the vulnerability of the company's debt coverage indicators to changes in interest rates and changes in occupancy levels of the office asset. Despite the steady performance of the business park and healthy recovery in hotel operations, CGDPL's debt coverage metrics are expected to moderate due to significant increase in interest rate, with the five-year estimated DSCR of below 1.1 times in FY2024. Nonetheless, the presence of adequate liquidity cushion in the form free cash and liquid investments to the tune of Rs. 111.8 crore as on March 31, 2023, along with debt service reserve account (DSRA) balance covering three month's debt obligations provides comfort. The rating factors in the asset concentration risk and high tenant concentration risk with a single largest tenant occupying 66% of the total leasable area of business park. The vacancy risk for the office asset is partly offset by the long-term leases and low weighted average rents in relation to the prevailing market rents.

The Stable outlook on the rating reflects ICRA's opinion that Cessna Business Park will continue to benefit from its favourable location, healthy occupancy, reputed tenant profile and the strong sponsor.

Key rating drivers and their description

Credit strengths

Favourable location of project, translating into high occupancy – The Cessna Business Park is located on Outer Ring Road East in Bengaluru. The micro-market witnesses the highest absorption of office space in Bengaluru. The project has a total leasable area of 4.2 mn sq ft, with healthy occupancy of close to 100%, and is occupied by reputed multinational tenants such as Cisco, Walmart, Cargill and HCL. The park commenced operations in 2007 and has maintained high occupancy levels throughout its operations.

Strong tenant profile with long-term leases – CGDPL has entered into long-term lease agreements with its tenants, including a 35-year lease with its largest tenant, with current rental rates significantly lower than market rates, which reduces the risk of vacancy.

Established track record of sponsor in the real estate sector – CGDPL is 85% owned by the Blackstone Group, which is India's leading office landlord with investment in offices, retail and warehousing assets spread across Mumbai, Bengaluru, Delhi NCR, Chennai, Pune, Hyderabad and Ahmedabad. The sponsor has established leasing relationships with several blue-chip multinational companies as well as Indian corporates. The sponsor's long track record of in real estate sector and large, diverse portfolio in retail and commercial real estate business in India provides comfort and allows it to command high financial flexibility.

Credit challenges

High tenant concentration – The tenant concentration of Cessna Business Park is high, with the largest tenant occupying 66% of the total available space and the top three tenants occupying 85% of the total available space. The risk for the office asset is partly offset by the long-term leases and low weighted average rents in relation to the prevailing market rents.

Modest debt coverage ratios – There has been a material increase in interest rates for both Lease Rental Discounting (LRD) loan and hotel term loan. Given this, CGDPL's debt coverage metrics are expected to moderate with the five-year estimated DSCR of below 1.1 times in FY2024. However, the liquidity available in the form of unencumbered cash and liquid investments of Rs. 111.8 crore as on March 31, 2023 in addition to DSRA, covering three month's debt obligations, maintained by the company with the lenders of the rated LRD loan, provides comfort.

Vulnerability to changes in interest rates and occupancy – The debt coverage ratios remain vulnerable to changes in interest rates and reduction in occupancy levels of the office asset. The vulnerability to any changes in occupancy are heightened by the asset and tenant concentration in the company.

Liquidity position: Adequate

CGDPL's liquidity profile is adequate. Besides the DSRA equivalent to three months, the unencumbered cash and liquid investments stood at around Rs. 111.8 crore as on March 31, 2023. The company is undertaking upgrade capex of around Rs. 10-20 crore in FY2024, towards the office asset and of the hotel business, which is being funded by internal accruals.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a substantial improvement in occupancy or rent rates and the company demonstrates significant improvement in debt coverage. Specific triggers for a rating upgrade include five-year average DSCR improving to more than 1.25 times.

Negative factors – The rating may witness downward pressure if any material decline in occupancy or rent rates impact the operational cash flows leading to weakening of coverage metrics and liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

CGDPL, a Blackstone Group company, is a commercial real estate company that operates Cessna Business Park, a technology park located on Outer Ring Road East in Bengaluru. The company was earlier promoted by the Prestige Group. The Blackstone Group acquired 85% stake of CGDPL from the Prestige Group in March 2021. Cessna Business Park has 11 office buildings, totalling to a leasable area of 4.2 mn sq ft with eight buildings leased entirely to Cisco and the remaining three buildings leased to multiple tenants. CGDPL also owns a hotel in the same premise, which is operated under the brand of Aloft Hotels.

Key financial indicators

Standalone	FY2021 (audited)	FY2022 (audited)	FY2023 (provisional)
Operating income	321.0	341.9	395.7
PAT	71.6	10.7	38.2
OPBDIT/OI	87.6%	83.6%	81.8%
PAT/OI	22.3%	3.1%	9.7%
Total outside liabilities/Tangible net worth (times)	-2.1	-2.1	-2.0
Total debt/OPBDIT (times)	8.9	8.5	7.3
Interest coverage (times)	1.4	1.5	1.8

Source: Company financials; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore. All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021		
				Jun 20, 2023	Apr 29, 2022	-	Mar 31, 2021	Mar 08, 2021	May 04, 2020
1 Term loans	Long term	2,530.00	2,357.8	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-	**[ICRA]A- (Stable)**	**[ICRA]A+ (CE)&**	**[ICRA]A+ (CE) (Stable)**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	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	**Term loan I**	Jan 2020	NA	Jan 2035	2,000.0	[ICRA]A- (Stable)
NA	**Term loan II**	Jan 2021	NA	Mar 2035	380.0	[ICRA]A- (Stable)
NA	**Term loan III**	Dec 2017	NA	Oct 2029	150.0	[ICRA]A- (Stable)

Source: Company; ^ As per sanction letter

Please click here to view details of lender-wise facilities rated by ICRA

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

Corrigendum

Document dated June 20,2023 has been corrected with revision as detailed below:

- The capex-related details have been modified in the liquidity section.
- "Instrument Details" – Maturity Date for Term loan III has been modified to Oct 2029 as per sanction letter.

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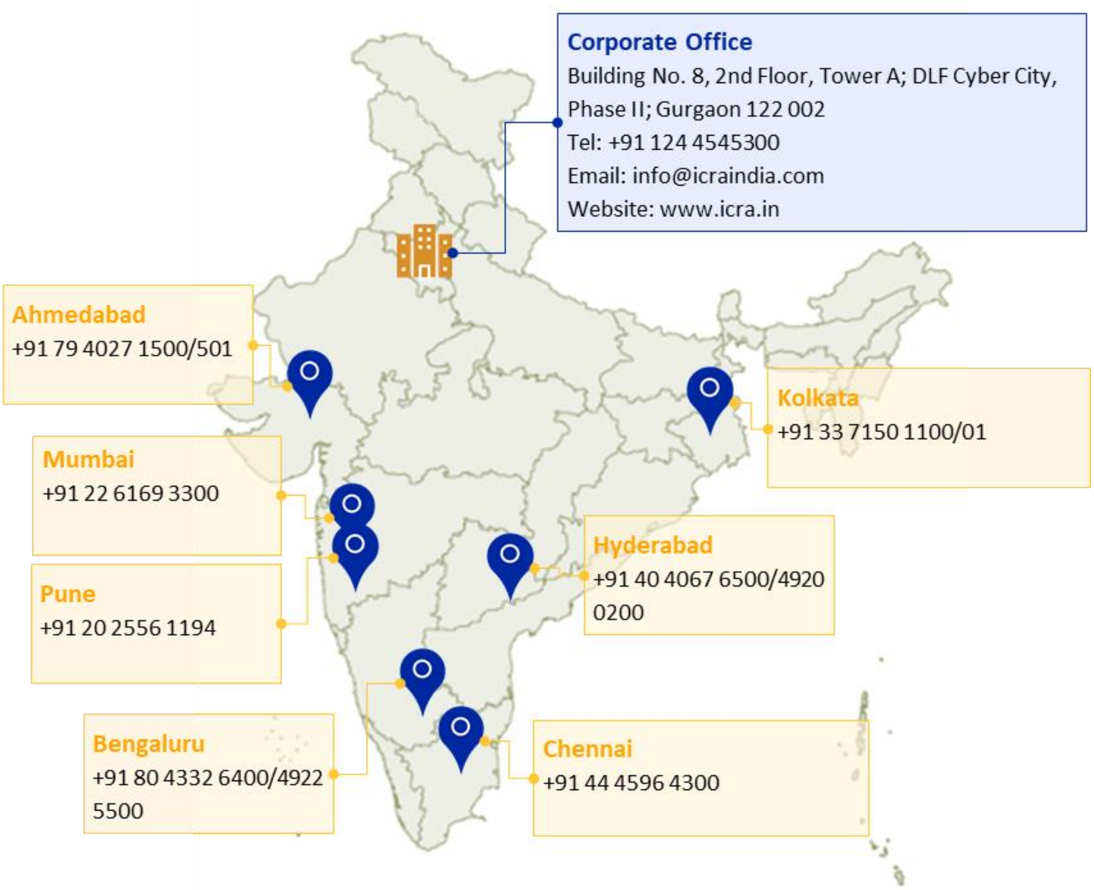

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