

October 05, 2023

Oak Infrastructure Developers Limited: [ICRA]A(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	590.00	
Long-term – Fund based – Overdraft	10.00	[ICRA]A(Stable) assigned
Long-term – Non-fund based limits	5.00	
Total	605.00	

*Instrument details are provided in Annexure-I

Rationale

Rostrum Realty Private Limited (RRPL) is a 51:49 joint venture of the Brookfield Group and Bharti Group, which has three wholly-owned subsidiaries namely Aspen Buildtech Limited (ABL), Arnon Builders and Developers Limited (ABDL) and Oak Infrastructure Developers Limited (OIDL), together referred as pooled assets. The debt for the pooled assets of around ~Rs. 3,300 crore availed from two lenders – ICICI Bank and Axis Bank, has cross collateralisation and cross default clauses. Further, as a part of the debt structure, the surplus at each special purpose vehicle (SPV) will be utilised for debt servicing of the other SPVs, should a need arise. The presence of debt service reserve account (DSRA) equivalent of 1 month’s instalment and well-defined escrow mechanism provide comfort.

The assigned rating factors in the strong sponsors for the pooled assets, i.e., the Brookfield and Bharti Groups, with significant experience in the real estate industry providing strong financial flexibility. The pooled assets consist of 24.7 lakh sft of commercial office leasable space and 8.1 lakh sft of retail space, spread across New Delhi, Gurugram and Ludhiana. The pooled assets have a reputed tenant mix and are in favourable locations with good connectivity enhancing their marketability. The occupancy of the pooled assets improved to ~87% as of September 2023 from ~77% as of March 2022.

ODIL owns and operates mixed use real estate assets with office and retail mall in Aerocity, New Delhi, namely World Mark 2 and 3 (WM2 and WM 3) with total leasable area of 8.4 lakh sft with office share of 7.8 lakh sft and retail share of 0.6 lakh sft.

With relatively lower debt levels in ODIL’s books, the leverage and coverage metrics are healthy. Also, comfort is driven by the adequate debt protection metrics for the Brookfield-Bharti pool, with Total Debt/Net Operating Income (NOI) estimated at around 8.0 times as of March 2024 and 5-year average DSCR of 1.3 during FY2024-FY2028.

The pooled assets remain exposed to the inherent cyclicity in the real estate industry and vulnerability to external factors. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or material reduction in occupancy levels.

OIDL is exposed to moderate tenant concentration risk in WM2 and WM3 assets. While WM2 has healthy occupancy levels of 96% and 94% in its office and retail area, respectively, the occupancy in WM3 asset is moderate at 66% in office space and 77% in retail space, exposing the company to market risk for the vacant area. The company is also exposed to moderate tenant concentration risk in the retail space as top five tenants occupy the majority of retail leased area in WM2 and WM3 assets.

The Stable outlook reflects ICRA’s opinion that the company would benefit from the favourable location of the pooled assets, reputed tenant profile and strong financial flexibility.

Key rating drivers and their description

Credit strengths

Favourable location of the pooled assets with reputed tenants – The pooled assets consist of 24.7 lakh sft of commercial office leasable space and 8.1 lakh sft of retail space, spread across New Delhi, Gurugram and Ludhiana. The pooled assets have a reputed tenant mix and are in favourable locations with good connectivity enhancing their marketability. The occupancy of the pooled assets has improved to ~87% as of September 2023 from ~77% as of March 2022.

ODIL owns and operates mixed use real estate assets with office and retail mall in Aerocity, New Delhi, namely 'World Mark 2 and 3 (WM2 and WM 3)' with total leasable area of 8.4 lakh sft with office share of 7.8 lakh sft and retail share of 0.6 lakh sft.

Cross-collateralised structure with surplus sharing among SPVs lends strength to the debt structure – The debt of all the four entities of around ~Rs. 3,300 crore, availed from ICICI Bank and Axis Bank, has cross collateralisation and cross default clauses. Further, as a part of the debt structure, the surplus at each SPV will be utilised for debt servicing of the other SPVs, should a need arise. The presence of DSRA equivalent of 1 month's instalment and well-defined escrow mechanism provide comfort.

Strong sponsor groups of the pooled assets – The pooled assets are held by strong sponsors as RRPL is a 51:49 joint venture of the Brookfield and Bharti Groups. The sponsors have significant experience in the real estate industry and provide strong financial flexibility.

Credit challenges

Exposure to market risk in WM 3 asset – While WM2 has healthy occupancy levels of 96% and 94% in its office and retail area, respectively, the occupancy in WM3 asset is moderate at 66% in office space and 77% in retail space, exposing the company to market risk for the vacant area. However, long track record of the Brookfield Group in the real estate industry provides comfort. The company is also exposed to moderate tenant concentration risk in the retail space as top five tenants occupy the majority of retail leased area in WM2 and WM3 assets.

Vulnerable to cyclical and changes in interest rates – The pooled assets remain exposed to the inherent cyclical in the real estate industry and vulnerability to external factors. Nonetheless, ICRA takes comfort from the healthy occupancy levels of the pooled assets. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or material reduction in occupancy levels.

Liquidity position: Adequate

The pooled assets have cash and bank balance of Rs. 140.6 crore as on March 31, 2023, and principal repayment obligation of Rs. 14.6 crore in FY2024 and Rs. 29.1 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations. OIDL has cash and bank balance of Rs. 19.7 crore as on June 30, 2023. Its liquidity is supported by the debt structure, wherein each SPV has access to the surpluses of the other SPVs under pooled assets.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is an overall improvement in the occupancy of pooled assets resulting in an improvement in leverage metrics and debt coverage metrics on a sustained basis. Specific credit metric that could lead to an upgrade is Total Debt/NOI < 6x of pooled assets on a consistent basis.

Negative factors – Negative pressure on the ratings could emerge if there is a material decline in the occupancy or rental rates for the pooled assets and/or any material increase in indebtedness resulting in weakening of leverage and debt coverage metrics on a sustained basis. Specific credit metric that could lead to a downgrade is 5-year average DSCR < 1.2x of pooled assets on sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	<p>Parent: Pool of 4 entities namely Rostrum Realty Private Limited (RRPL) and its wholly owned subsidiaries namely Aspen Buildtech Limited (ABL), Arnon Builders and Developers Limited (ABDL) and Oak Infrastructure Developers Limited (OIDL).</p> <p>All the four entities have common lenders and the debt availed by them have a cash flow pooling mechanism, with presence of cross default clauses and surplus sharing.</p> <p>The rating for OIDL has been arrived at by following the analytical steps as given below:</p> <ol style="list-style-type: none"> 1. An assessment of the standalone credit profile of OIDL. 2. An assessment of the credit profile of the pooled assets by considering consolidated business and financial risk profile of the pooled assets. 3. The final rating for the bank facility of OIDL is arrived at by suitably notching up the standalone rating after duly considering the support from the pooled assets as per the debt structure and the linkages between the standalone entity and the pooled assets.
Consolidation/Standalone	Standalone

About the company

Incorporated in October 2009, Oak Infrastructure Developers Limited (OIDL) is a wholly-owned subsidiary of Rostrum Realty Private Limited (RRPL), which is ultimately owned by the Brookfield Group (51%) and Bharti Group (49%). OIDL owns and operates mixed use real estate asset with office and retail mall – World Mark Delhi (WM 2 and WM 3) with total office and retail leasable area of 7.8 lakh sft and 0.6 lakh sft, respectively.

The pooled assets have six completed commercial office and retail real estate assets with a total leasable area of 32.9 lakh sft and occupancy of 87% as of September 2023.

Key financial indicators (audited) - OIDL

Standalone	FY2022	FY2023
Operating income (Rs. crore)	140.3	138.7
PAT (Rs. crore)	-9.8	-17.1
OPBDIT/OI (%)	89.0%	82.9%
PAT/OI (%)	-7.0%	-12.3%
Total outside liabilities/Tangible net worth (times)	-3.9	-4.7
Total debt/OPBDIT (times)	7.9	11.1
Interest coverage (times)	1.5	1.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Aug 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Oct 05, 2023	-	-	-
1	Term loans	590.00	588.4	[ICRA]A(Stable)	-	-	-
2	Overdraft	10.00		[ICRA]A(Stable)	-	-	-
3	Bank guarantee	5.00	0.59	[ICRA]A(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Overdraft	Simple
Non-fund based limits	Very 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 loans	FY2023	-	FY2037	590.00	[ICRA]A(Stable)
NA	Overdraft	-	-	-	10.00	[ICRA]A(Stable)
NA	Bank guarantee	-	-	-	5.00	[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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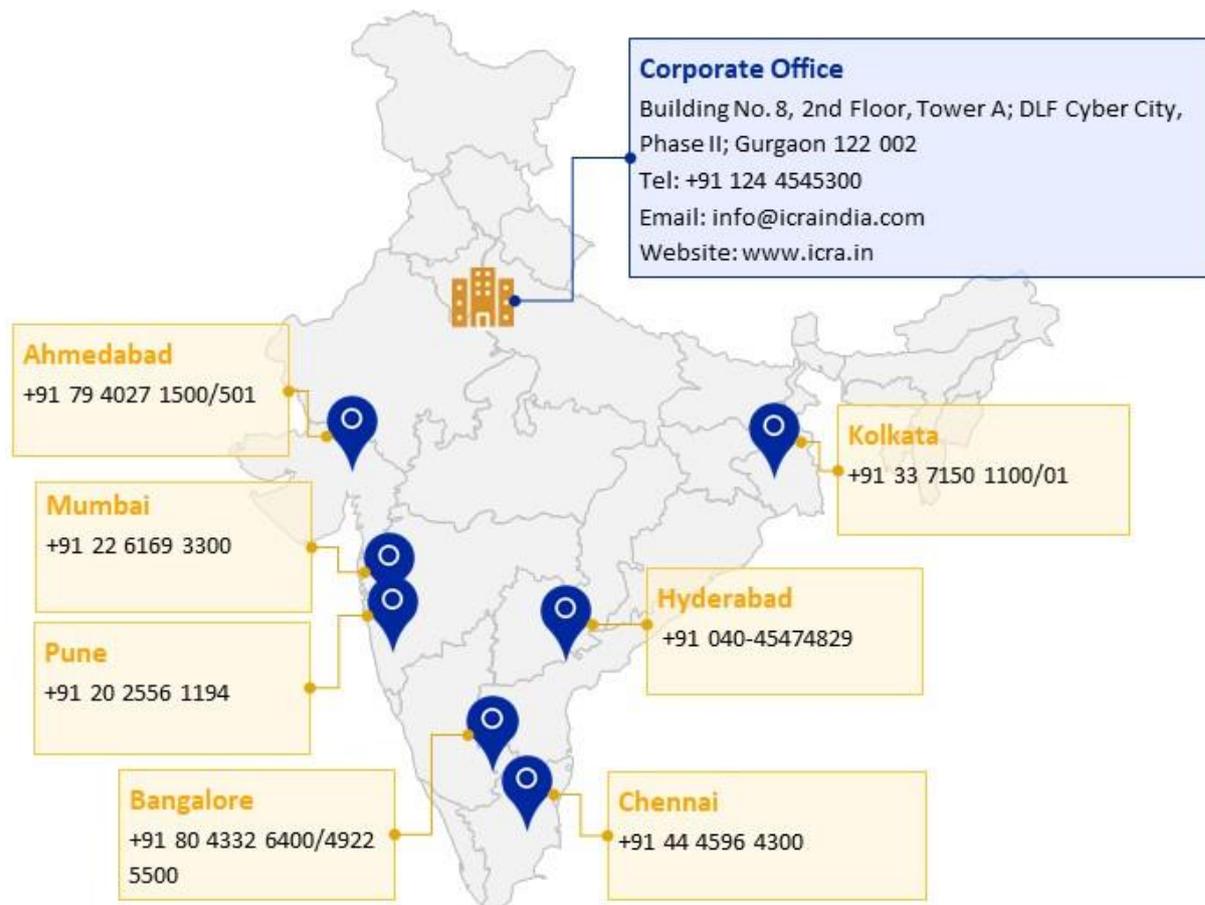
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