

January 29, 2024^(Revised)

One World Center Private Limited: Rating reaffirmed; rated amount reduced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based - Term loans	2,700.00	2,500.00	[ICRA]BBB+(Stable); reaffirmed
Long term - Non-fund based (Bank guarantee)	30.10	0.00	-
Total	2,730.10	2,500.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for One World Center Private Limited (OWCPL) factors in the refinancing of its lease rental discounting (LRD) debt with longer tenure and back-ended repayments, resulting in an improvement in OWCPL's 5-year DSCR. However, the cumulative DSCR remains modest due to high leverage.

The rating continues to factor in the attractive location of the company's commercial project in Lower Parel, Mumbai, which is a well-developed commercial location. The committed occupancy for the project stood at 78% in December 2023 compared to 75% in December 2022. The rating continues to draw comfort from OWCPL's strong sponsor profile, which holds a 100% stake in the company through its affiliates, i.e. entities owned or managed by The Blackstone Group Inc. The strong track record of the sponsor in developing and operating commercial real estate assets in India and commands exceptional financial flexibility. The Blackstone Group has a demonstrated track record of providing timely funding support to OWCPL whenever required in the past. ICRA expects continued funding support from sponsor to support any cash flow mismatches, if required. The LRD loan has an escrow mechanism and a debt service reserve account (DSRA) equivalent to three months of principal and interest obligations.

The rating is constrained by the company's high leverage and the consequent modest cumulative DSCR. The company remains exposed to vacancy risk with 17% of the leased area due for lock-in expiry in FY2025. Further, with OWCPL being a single asset-owning company, the market risk is heightened in case of any vacancy/non-renewal of leases. Nonetheless, the risk is partly mitigated by the property's favourable location. However, OWCPL's strong sponsor profile and the expected improvement in occupancy levels over this period, mitigate the risk to an extent. The rating also remains exposed to vacancy risk, given the low weighted average lease expiry as compared to the weighted average debt maturity. It is also constrained by the vulnerability of the debt coverage ratios to fluctuations in interest rates and occupancy levels.

The Stable outlook reflects ICRA's opinion that the company will be able to ramp up occupancy over the near to medium term, and the company will continue to benefit from the sponsor's commitment to support in case of any requirement.

Key rating drivers and their description

Credit strengths

Comfortable medium-term DSCR post refinancing –The company has refinanced its existing LRD debt of Rs. 2,339 crore (o/s as on October 31, 2023), with a new LRD loan of Rs. 2,500 crore, having a longer tenor (increased by four years). Consequently, the company's debt coverage indicators are expected to improve over the medium term on account of back-ended repayments with the estimated five-year average DSCR of 1.20-1.25 times over the FY2025-FY2029 period.

Strong sponsor group with established track record lends financial flexibility - The company is completely owned by the Blackstone Group, which is one of the leading owners of office spaces in India, with a large portfolio of office properties across Bengaluru, Pune, Hyderabad, Mumbai, the National Capital Region (NCR) and Chennai. The sponsor has established leasing relationships with several blue-chip multinational companies as well as Indian corporates. Its strong track record in the real estate sector, diverse portfolio in the retail and commercial real estate business in India, provide comfort and allow it to command exceptional financial flexibility. The Blackstone Group has a demonstrated track record of providing timely funding support to OWCPL whenever required in the past. ICRA expects continued funding support from sponsor to support any cash flow mismatches, if required.

Favourable location of the property – One World Center (OWC) is in Lower Parel, Mumbai, adjacent to the 100-ft wide arterial road, Senapati Bapat Marg (Tulsi Pipeline Road). It is centrally located between Nariman Point and the BKC area. It is well connected through road and rail network, which is likely to help OWCPL improve the occupancy over the medium term. The committed occupancy of the project increased to 78% as of December 2023 from 75% as of December 2022.

Credit challenges

High leverage and modest cumulative DSCR - The company's leverage (debt/annualised NOI) remains high and is estimated to be 8.70 times in FY2024. Despite the tenure elongation following the refinancing, the cumulative DSCR for the debt tenure remains modest. However, the sponsor remains committed to infuse funds in a timely manner to support the cash flow mismatches, as demonstrated in the past, if required.

Exposed to market risks - As of December 2023, 22% of the area remains vacant which exposes the company to market risks. The rating also remains exposed to vacancy risk, given the low weighted average lease expiry as compared to the weighted average debt maturity. ICRA notes the lock-in period has expired for 11% of the total leased area of the project. Moreover, lock-in expiry for 17% of the tenants is due in FY2025, which may increase the vacancy risk and exert pressure on the coverage metrics.

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 any fluctuations in interest rates.

Liquidity position: Adequate

As on December 31, 2023, the company has unencumbered cash and liquid investments including undrawn overdraft of around Rs. 58.43 crore. Post the refinancing, the cash flows from operations are expected to be sufficient to cover the debt obligations. Apart from the unencumbered cash and bank balances, the company also maintains a DSRA of Rs. 55.2 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the rating, in case of a significant increase in occupancy at adequate rental rates, and realisation of the scheduled escalations on time, leading to a sustained improvement in the leverage and coverage metrics. Specific metric for a rating upgrade would be increase in occupancy to 90%.

Negative factors – A significant decline in occupancy levels and/or increase in indebtedness impacting the debt protection metrics could result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has consolidated the financials of One World Center Private Limited and its subsidiary and Opcore Services Private Limited, given their business and financial linkages.

About the company

One World Center Private Limited (OWCPL), erstwhile BXIN Office Parks India Private Limited, incorporated in April 2020, owns and operates a commercial office building One World Center in Lower Parel, Mumbai, with a total leasable area of 17.4 lakh square feet, across four towers viz. Tower 1, 2A, 2B and the annexe.

Key financial indicators (audited)

OWCPL (Consolidated)	FY2022 [^]	FY2023 [^]
Operating income	279.2	313.3
PAT	-29.6	-7.2
OPBDIT/OI	70.9%	71.1%
PAT/OI	-10.6%	-2.3%
Total outside liabilities/Tangible net worth (times)	-2.0	-2.0
Total debt/OPBDIT (times)	13.0	11.9
Interest coverage (times)	1.0	1.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; [^]OWCPL+OPCORE, all ratios as per ICRA calculations

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 of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Jan 29, 2024	Mar 21, 2023	July 22, 2022		
1 Term loans	Long Term	2,500.0	2,479.0	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	-	-
2 Non-fund based (Bank guarantee)	Long Term	0.0	-	-	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund based - 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	FY2024	-	FY2039	2,500.0	[ICRA]BBB+(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

Company Name	OWCPL's Ownership	Consolidation Approach
Opcore Services Private Limited	100%	Full Consolidation

Corrigendum

Document dated January 29, 2024 has been corrected with revision as detailed below:

- The rating action for Long Term-Non-Fund Based (Bank Guarantee) has been updated in summary of rating action and rating history for past three years tables.

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Branches



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