July 05, 2024

One International Center Private Limited: Rating reaffirmed for bank facilities; rated amount enhanced; rating reaffirmed and withdrawn for NCD

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based- Term loans	2650.00	3150.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Non-convertible debentures (NCD)	250.00	0.00	[ICRA]A- (Stable); reaffirmed and withdrawn
Total	**2900.00**	**3150.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in improvement in the committed occupancy of One International Centre Private Limited (OICPL), conversion of bullet maturities into fully amortising structure thereby mitigating the refinancing risk. OICPL's occupancy increased to 63% as of April 2024 from 41% as of December 2022. In April 2024, the company has refinanced Rs. 514 crore of term loans and Rs 250 crore of NCDs which had scheduled repayments in FY2026 and FY2027 respectively, with a 15-year LRD loan of Rs 1150 crore (including top up of Rs 386 crore) having a fully amortising and ballooning repayment schedule. The company's five-year average DSCR is estimated to be adequate at 1.20-1.23 times during FY2025-FY2029 despite the increase in overall debt on account of additional top-up. The rating continues to factor in the favourable location of the asset at Lower Parel, Mumbai, which is a well-developed commercial area. The rating continues to draw comfort from OICPL'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 sponsor has a strong track record of developing and operating commercial real estate assets in India and commands exceptional financial flexibility. 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, however, constrained by the company's high leverage with the expected debt/annualised NOI of around 9 times as of March 2025 resulting in modest cumulative DSCR levels. However, ICRA notes that as part of the new sanction, the company has undrawn overdraft of around Rs. 120 crore in addition to Rs. 48 crore of fixed deposits as on April 30, 2024 specifically earmarked to meet any shortfall in debt servicing. Further, the expected improvement in occupancy levels over the medium term and strong sponsor profile provides comfort. The rating is constrained by the vulnerability of the debt coverage ratios to any fluctuations in interest rates and occupancy levels. It also remains exposed to vacancy risk, given the low weighted average lease expiry compared to the weighted average debt maturity. Notwithstanding the recent increase in occupancy, the company's committed occupancy levels remain moderate at 63% as of April 2024. Therefore, an improvement in the occupancy along with the realisation of rental escalations would remain a key monitorable.

The Stable outlook reflects ICRA's opinion that the company will be able to ramp up occupancy over the next 18 months and maintain adequate debt coverage indicators. ICRA expects the company to benefit from earmarked funds from recent sanction and the exceptional financial flexibility of the sponsor.

The long-term rating on the NCDs has been reaffirmed and withdrawn as the same have been fully redeemed and refinanced by an LRD loan.

Key rating drivers and their description

Credit strengths

Favourable location of property; increase in occupancy - One International Center is in Lower Parel, Mumbai, adjacent to Senapati Bapat Marg. 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 OICPL improve occupancy over the medium term. The committed occupancy of the commercial office project of OICPL at Lower Parel, Mumbai, increased to 63% as of April 2024 from 60% as of December 2023 (41% as of December 2022).

Mitigation of refinancing risk and adequate five-year average DSCR - In April 2024, the company had refinanced Rs. 514 crore of term loans and Rs. 250 crore of NCDs which had scheduled repayments in FY2026 and FY2027 respectively, with a 15-year LRD loan of Rs 1150 crore having a fully amortising and ballooning repayment schedule. The company's five-year average DSCR is estimated to be adequate at 1.20-1.23 times during FY2025-FY2029 despite the top-up of Rs 386 crore.

Strong sponsor group with established track record lends financial flexibility- The company is wholly owned by the Blackstone Group, 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 reputed multinational companies as well as Indian corporates. Its strong track record in the real estate sector as well as large and diverse portfolio in the retail and commercial real estate business in India, provide comfort and allow it to command exceptional financial flexibility.

Credit challenges

Moderate occupancy levels- Despite the recent increase, the occupancy remained moderate at 63% as of April 2024, exposing the company to market risks. The company also faces vacancy risk due to the low weighted average lease expiry as compared to the weighted average debt maturity. ICRA notes that the rent-free period for some of the new tenants remains high at 6 to 12 months, and the overall growth in rentals has remained modest. The company's ability to improve occupancy along with the realisation of rental escalations would be a key monitorable.

High leverage - ICRA notes the company's high leverage with the expected debt/annualised NOI of around 9 times as of March 2025 resulting in modest cumulative DSCR levels. However, as part of the new sanction, the company has undrawn overdraft of around Rs. 120 crore in addition to Rs. 48 crore of fixed deposits as on April 30, 2024 specifically earmarked to meet any shortfall in debt servicing.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels- The company's 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. ICRA notes that the lock-in period has expired for 11% of the total leased area of the project as of March 2024 and expiry for 15% of the tenants is due in FY2025, which exposes the company to vacancy risk.

Liquidity position: Adequate

The company's liquidity profile is adequate, supported by unencumbered cash and liquid investments including undrawn overdraft balance of Rs. 126.5 crore, and Rs 48 crore cash balance (lien marked for debt servicing till November 2024) as on April 30, 2024. The company's cash flows from operations and the available liquidity are expected to be adequate for meeting its debt servicing requirements for FY2025.

Rating sensitivities

Positive factors – ICRA could upgrade the rating, in case of improvement in committed occupancy to 90% at adequate rental rates, and timely realisation of scheduled rental escalations, leading to a sustained improvement in the leverage and debt coverage metrics. Specific trigger for a rating upgrade includes cumulative DSCR improving to more than 1.25 times.

Negative factors – The company's inability to improve the committed occupancy to more than 80% by FY2026 or increase in indebtedness impacting the company's leverage and debt coverage metrics could result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting Policy on withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

One International Centre Private Limited (erstwhile Indiabulls Real Estate Company Private Limited) was incorporated on May 10, 2005. OICPL developed an IT/ITes park – One International Center (OIC) at the Elphinstone Mills land in Lower Parel, Mumbai, with a total leasable area of 2.7 million square feet, comprising Towers 1, 2 and 3 and One Unity Center (Earlier known as Tower 4).

Key financial indicators (audited)

OICPL Standalone	FY2023	FY2024
Operating income	194.9	274.0
PAT	-112.2	-77.2
OPBDIT/OI	56.1%	66.1%
PAT/OI	-57.5%	-28.2%
Total outside liabilities/Tangible net worth (times)	-54.2	-21.5
Total debt/OPBDIT (times)	26.2	15.1
Interest coverage (times)	0.5	0.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of rating history for the past 3 years				
		Type	Amount Rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022
				Jul 05, 2024	Jan 29, 2024	May 19, 2023	Mar 21, 2023	Jun 24, 2022	Jun 24, 2021
1	**Term Loans**	Long Term	3150.0	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**	**[ICRA]A- (Negative)**
2	**Non-fund Based (Bank Guarantee)**	Long Term	-	-	-	-	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**	**[ICRA]A- (Negative)**
3	**Unallocated Limits**	Long Term	-	-	-	-	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**	**[ICRA]A- (Negative)**
4	**Non-Convertible Debentures**	Long Term	-	-	-	-	-	**[ICRA]BBB+ (Negative); Withdrawn**	**[ICRA]A- (Negative)**
5	**Non-Convertible Debentures**	Long Term	250.0	**[ICRA]A- (Stable); withdrawn**	**[ICRA]A- (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**	**[ICRA]A- (Negative)**
6	**Non-Convertible Debentures**	Long Term	-	-	-	**[ICRA]BBB+ (Stable) withdrawn**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**	**[ICRA]A- (Negative)**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based- Term loans	Simple
Non-convertible debentures (NCD)	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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan**	FY2024	-	FY2039	2000.0	[ICRA]A- (Stable)
NA	**Term Loan**	FY2025	-	FY2039	1150.0	[ICRA]A- (Stable)
INE065I07031	**NCD**	Aug 18, 2021	9.18%	Feb 17, 2027*	250.0	[ICRA]A-(Stable); withdrawn

*Source: Company *The NCDs were redeemed early on April 25, 2024*

[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:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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