July 05, 2024

Cessna Garden Developers Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	2,530.00	2,700.00	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long-term – Overdraft^	(200.00)	(500.00)	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Total	**2,530.00**	**2,700.00**	

**Instrument details are provided in Annexure-I; ^ sub-limit of term loan*

Rationale

The rating reaffirmation for Cessna Garden Developers Private Limited (CGDPL) factors in the favourable location of its business park as reflected in its long track record of maintaining 100% occupancy with a strong tenant profile. CGDPL's Aloft Hotel witnessed an increase in revenues by 8% to Rs. 65.2 crore in FY2024, supported by improvement in average room rate (ARR) by 14%, while the occupancy declined to 63% (PY: 69%) due to planned shutdown for upgradation. The operating margin of the hotel was at 37% in FY2024, similar to the previous year, which is likely to sustain going forward, driven by an expected improvement in occupancy. The rating considers the strong track record of the sponsor, Blackstone Group, in the commercial real estate market and its high financial flexibility. The company is in advanced discussion with its current lender (SBI) for refinancing its existing lease rental discounting (LRD) loan with outstanding of Rs. 2,122.2 crore as of May 2024 by a new LRD loan of Rs. 2,550 crore having a longer tenure and back-ended repayment schedule, at a similar interest rate. Consequently, the company's debt coverage metrics (five-year average DSCR) for FY2025-FY2029 are expected to improve from below 1.1x prior to refinanacing and remain adequate.

The rating is, however, constrained by the expected increase in the company's leverage due to rise in debt levels post refinancing, with Debt/Cash flow from operations (CFO) estimated at 8.1 – 8.3 times as of March 2025, increasing from 7.2 times as of March 2024. The rating is also constrained by the vulnerability of its debt coverage indicators to changes in interest rates and occupancy levels of the office asset. The rating factors in the asset concentration and high tenant concentration risks with a single largest tenant occupying 66% of the total leasable area of the 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 the company will report healthy occupancy levels for its business park, supported by favourable location, and ramp up its hotel operations, while maintaining adequate debt coverage metrics.

Key rating drivers and their description

Credit strengths

Favourable location of project, translating into high occupancy – The company's assets (Cessna Business Park and Aloft hotel) are located on Outer Ring Road East in Bengaluru. The micro-market witnesses the highest absorption of office space in Bengaluru and healthy demand for the hotel from corporates. The Cessna Business Park 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. Aloft is a 4-star business hotel having 191 rooms. The ARR for the hotel improved by 14% in FY2024 while the operating margin remained healthy at 37%.

Adequate debt coverage ratios – The company is in advanced discussion with its current lender for refinancing its existing LRD loan with outstanding of Rs. 2,122.2 crore as of May 2024 by a new LRD loan of Rs. 2,550 crore having a longer tenure and back-ended repayment schedule, at a similar interest rate. Consequently, the company's debt coverage metrics (five-year average DSCR) for FY2025-FY2029 are expected to improve from below 1.1x prior to refinanacing and remain adequate.

Established track record of sponsor in 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 in the 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 as of March 2024. 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.

High leverage – CGDPL's leverage has increased due to refinancing on account of increase in LRD debt to Rs. 2,478.0 crore as of March 2025 from Rs. 2,138.8 crore as of March 2024 resulting in LRD Debt/NOI of 7.1 – 7.3 times as of March 2025 (6.4 times as of March 2024).

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. The company has unencumbered cash and liquid investments stood at around Rs. 103.6 crore as on March 31, 2024. Its cash flow from operations are expected to be sufficient to meet its scheduled debt obligations of around Rs. 237.0 crore (principal and interest) in FY2025.

Rating sensitivities

Positive factors – Significant improvement in operational cash flows and substantial reduction in debt resulting in an improvement in leverage and coverage indicators, on a prolonged basis, could lead to a rating upgrade. Specific triggers for a rating upgrade include five-year average DSCR improving to more than 1.25 times on a sustained basis.

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 Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

CGDPL 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 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 (audited)

Standalone	FY2023	FY2024*
Operating income	395.6	414.0
PAT	38.5	27.8
OPBDIT/OI	81.8%	81.4%
PAT/OI	9.7%	6.7%
Total outside liabilities/Tangible net worth (times)	-2.0	-1.9
Total debt/OPBDIT (times)	7.3	6.7
Interest coverage (times)	1.8	1.7

*Source: Company, ICRA Research; * Provisional numbers; 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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
			Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022
				Jul 05, 2024	Feb 08, 2024	Jun 20, 2023	Apr 29, 2022	-
1	**Term loans**	Long term	2,700.00	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-
2	**Overdraft^**	Long term	(500.00)	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	-	-	-

^ sub-limit of term loan

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
Overdraft	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**	-	NA	-	2,550*	[ICRA]A-(Stable)
NA	**Term loan-II**	Dec 2017	NA	Oct 2029	150	[ICRA]A-(Stable)
NA	**Overdraft limit^**	-	NA	-	(500.00)	[ICRA]A-(Stable)

*Source: Company; ^ sub-limit of proposed term loan, *includes Rs 427.8 crore of proposed term loan*

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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