

September 26, 2024

Concepts International India Private Limited: Placed on rating watch with negative implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term loan - Fund-based	140.00	140.00	[ICRA]BBB+; Placed on rating watch with negative implications
Total	140.0	140.0	

*Instrument details are provided in Annexure-I

Rationale

The rating for the bank facilities of Concepts International India Private Limited (CI IPL) is placed on Watch with Negative Implications following the exit of CI IPL's only tenant in September 2024, which occupied the entire area of its commercial office asset, Concept Tech Park (CTP) and the likely impact on its cash flows in the near term, given that the company is yet to tie-up the vacant space.

The company's operating revenues declined to Rs. 17.7 crore in FY2024 from Rs. 22.9 crore in FY2023 and are estimated to fall to Rs. 5.1 crore in FY2025 on account of lack of any rental income in H2 FY2025, following the exit of its sole tenant in September 2024 and absence of any lease tie-ups. Hence, the DSCR for FY2025 and FY2026 are expected to remain below 1 times. Nonetheless, the presence of Rs. 14.57 crore of liquidity in the form of free cash and liquid mutual funds as of August 2024, covering debt serving obligations for ~10 months, over and above the stipulated DSRA balance of 1 month's debt servicing obligations, is expected to aid the company to meet its near-term debt obligations. Additionally, the sponsor – Blackstone Group, remains committed to provide funding support to the company for meeting any shortfall in debt servicing as demonstrated by the Group in some of its other commercial office assets.

ICRA is given to understand that the company is in discussions with some flexible/co-working space operators for leasing the entire area. However, there are no LOIs or rental agreements in place as on date, which exposes it to high market risks. The company expects to tie-up leases for the entire area in Q4 FY2025, with likely commencement of rentals by June 2025. Any significant delays in lease tie-ups and/or commencement of rentals could exert further pressure on the cash flows and its debt servicing ability. Nonetheless, the relatively small size of the asset and its favorable location in Udyog Vihar, Gurgaon, along with the strong leasing track record of the Blackstone Group, provides comfort.

Key rating drivers and their description

Credit strengths

Strong promotor group with established track record lends financial flexibility – The company is 100% owned by the Blackstone Group (sponsor/promoter), which is India's leading landlord of commercial real estate with a large portfolio of office properties across Bengaluru, Pune, Hyderabad, Mumbai, NCR and Chennai. The sponsor has established leasing relationships with several blue-chip multinational companies as well as Indian corporates. Its long track record in the real estate sector and a large, diverse portfolio in the retail and commercial real estate business in India provide comfort and allow it to command high financial flexibility. ICRA expects the sponsor to support CI IPL in the event of any cash flow shortfall.

Favourable location – Spread over 1.85 acres, Concept Tech Park is at Udyog Vihar, Gurugram. It is well connected to various parts of the city. The property benefits from the attractive location and healthy demand for office space in the micromarket.

Credit challenges

Significant decline in occupancy impacting the debt coverage metrics – Following the exit of the company's sole tenant in two phases, December 2023 and September 2024, the operating revenues declined to Rs. 17.7 crore in FY2024 from Rs. 22.9 crore in FY2023 and are estimated to reduce to Rs. 5.1 crore in FY2025 on account of lack of any rental income in H2 FY2025. Therefore, the DSCR for FY2025 and FY2026 are expected to remain below 1 times. Nonetheless, the presence of liquidity covering next 10 months of debt servicing obligations (in addition to 1-month DSRA) and the expected funding support from the Blackstone Group as and when required, provides comfort.

High market risk – The project is exposed to significant market risks following the exit by the company's only tenant in September 2024. CIPL is in discussions with some flexible/co-working space operators for leasing the entire area. However, there are no LOIs or rental agreements in place as on date, which exposes it to high market risks. The company expects to tie-up leases for the entire area in Q4 FY2025, with likely commencement of rentals by June 2025. Any significant delays in lease tie-ups and/or commencement of rentals could exert further pressure on the company's cash flows and its debt servicing ability. Nonetheless, the relatively small size of the asset and its favourable location in Udyog Vihar, Gurgaon, along with the strong leasing track record of the Blackstone Group, provides comfort.

Liquidity position: Stretched

In absence of any rental income with the complete vacancy of the asset in September 2024, the company's liquidity position is stretched. Nonetheless, the presence of cash and investments in liquid mutual funds of Rs 14.57 crore as of August 2024, covering the debt servicing obligations for the next 10 months (in addition to 1 months DSRA) is likely to support its debt servicing ability. Any debt servicing shortfall arising on account of delay in lease tie-ups and/or commencement of rentals is expected to be funded by infusion of funds by the Blackstone Group.

Rating sensitivities

Positive factors – ICRA could resolve the rating watch once the company is able to tie-up leases for the project at sufficient rental rates, resulting in adequate debt protection metrics.

Negative factors – Inability to tie-up leases at adequate rates in a timely manner and/or delays in rental commencement, impacting the company's liquidity and debt protection metrics, on a sustained basis, could lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Realty (Lease Rental Discounting)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2007 and converted into a partnership firm in April 2014 and later into private limited company on June 07, 2019, Concepts International India Private Limited (CIPL) is a part of the Blackstone Group (Blackstone Group holds 100% in CIPL). The company has developed a commercial property named 'Indiabulls Tech Park', located at Udyog Vihar, in Gurgaon. The name of the project was changed to 'Concepts Tech Park' in FY2021. The project comprises commercial office space with one building, which is operational, having a total leasable area of 2.4 lakh sq. ft.

Key financial indicators

CIPL Standalone	FY2023	FY2024*
Operating income	22.9	17.7
PAT	-1.3	-1.4
OPBDIT/OI (%)	74.7%	67.3%
PAT/OI (%)	-5.7%	-7.9%
Total outside liabilities/Tangible net worth (times)	-4.5	-4.2
Total debt/OPBDIT (times)	8.1	11.3
Interest coverage (times)	1.1	1.0

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

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
			Sep 26, 2024	Oct 09, 2023	Sep 20, 2022	Aug 20, 2021
Term loans	Long term	140.0	[ICRA]BBB+; Placed on rating watch with negative implications	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (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 loans	May 2022	NA	May 2034	140.00	[ICRA]BBB+; placed on rating watch with negative implications

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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Branches



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