

July 22, 2022

BXIN Office Parks India Private Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Term loans	2,700.00	[ICRA]BBB (Stable); assigned
Non-fund based (Bank guarantee)	30.10	[ICRA]BBB (Stable); assigned
Total	2,730.10	

*Instrument details are provided in Annexure I

Rationale

Through a scheme of arrangement approved by the National Company Law Tribunal (NCLT), the commercial office property – One World Center (OWC), along with related assets and liabilities, was demerged from Indiabulls Properties Private Limited (IPPL) and was vested in BXIN Office Parks India Private Limited (BOPIPL), BOIPL and IPPL both entities owned or managed by The Blackstone Group Inc. (the Sponsor). As part of the scheme, the debt rated by ICRA under IPPL also stands transferred to BOPIPL.

The assigned rating reflects the strong sponsor profile, which is one of the leading global investors in the infrastructure segment with a large commercial real estate portfolio in India. BOPIPL derives significant financial flexibility being a part of a strong Group.

The rating, however, is constrained by the decline in occupancy in OWC, Lower Parel, Mumbai (leasable area of 1.7 mn sq. ft.) to 65% as on April 30, 2022 from 73% as on March 31, 2021 and the resulting weakening of the financial risk profile, with deterioration in its debt coverage and leverage metrics in FY2022. However, the sponsor demonstrated its support to the asset through infusion of funds in Q3 FY2022, which helped to create a liquidity buffer to meet the cash flow mismatches. The liquidity profile as on March 31, 2022, was adequate as reflected by the cash and liquid investments of Rs. 63 crore and the debt service reserve account (DSRA) of Rs. 72 crore. The sponsor has committed to infuse Rs. 85 crore in the near term. ICRA expects the sponsor to continue to support BOPIPL in case of any cash flow requirement. Further, the location of the property is attractive as Lower Parel is a well-developed commercial location and is well connected through rail and road network. While this is likely to help BOPIPL in improving the occupancy over the medium term, as the demand for office space picks up with most corporates resuming work from office, the timelines for the same remains a key monitorable.

The company remains exposed to vacancy risk, given the low average balance lease term for most of the existing leases. The weighted average lease expiry stood at four years as on date against the balance debt tenure of 12.8 years. ICRA, nonetheless, draws comfort from the diverse portfolio of the sponsor group and their track record of operations.

Pursuant to the aforesaid scheme of demerger, the residential development business (Sky and the Sky Forest projects developed in Lower Parel, Mumbai) continues to remain under IPPL, with effect from April 01, 2020. ICRA notes that, following the demerger of IPPL, there are no residential project-related risks under BOPIPL.

The Stable outlook reflects ICRA's opinion that the company will be able to ramp-up occupancy over the near-to-medium term supported by the sponsor's track record and that the sponsor will continue to support the cash flows in the interim.

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, which is India's leading office landlord with a large portfolio of office properties across Bangalore, 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 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. ICRA expects the sponsor to support BOPIPL in case of any cash flow requirement.

Favourable location of the property – OWC is located 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. The project is 0.5 kilometres (km) from Elphinstone Road railway station (Western Railways line) and about 0.5 km from Parel station (Central Railways line). The Western Express Highway is about 4 km from the project site. The project has proximity to many well-known hotels and premium residential developments. While this is likely to help BOPIPL in improving the occupancy over the medium term, as the demand for office space picks up with most corporates returning to work from office mode, the same needs to be demonstrated by the company.

Liquidity support through DSRA and fund infusion from sponsor – The company is required to maintain DSRA reserve equivalent to three months' lease rental discounting (LRD) instalments. The sponsor has committed to infuse Rs. 85 crore in BOPIPL in the near term.

Credit challenges

Substantial decline in occupancy levels; slower-than-expected releasing of vacancies – OWC witnessed a decline in occupancy in FY2022 to 65% (committed occupancy) as on April 30, 2022 from 73% as on March 31, 2021, as a couple of large tenants vacated the space as a part of their business restructuring process, and a few smaller tenants vacated the premises owing to the adverse impact of the Covid-19 pandemic. While ICRA notes that the company has renewed most of the leases, which are due for renewal in FY2023, the low average balance lease term for the existing leases exposes it to vacancy risks. The cash flows remain vulnerable to fluctuations in interest rate and occupancy levels. As BOPIPL is a single asset-owning company, it is also exposed to geographical and asset concentration risks.

Deterioration in leverage and coverage indicators due to decline in occupancy – The company's debt coverage and leverage metrics deteriorated due to a decline in occupancy. Comfort, however, is drawn from BOPIPL's strong sponsor profile and the resulting financial flexibility demonstrated by fund infusion in FY2022, as reflected in cash and liquid investments of Rs. 63 crore and DSRA of Rs. 72 crore as on March 31, 2022. The sponsor has committed to infuse Rs. 85 crore in the near term.

Liquidity position: Adequate

BOPIPL's debt coverage metrics are weak owing to low occupancies and its debt servicing is supported by available cash and bank balances. The liquidity profile is supported by unencumbered cash and liquid investments of Rs. 63 crore and DSRA balance of Rs. 72 crore as on March 31, 2022. Further, the sponsor has committed to infuse funds in the near-term to support the cash flow mismatches.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the occupancy is expected to be over 80%, on a sustained basis, and the company is able to realise the scheduled escalations in a timely manner leading to an improvement in coverage ratios.

Negative factors – Downward pressure on the rating could emerge if the debt coverage indicators remain weak on a sustained basis due to its inability to improve occupancy, or if there are cash flow mismatches owing to delayed rental receipt from the lessees. Lack of timely support from the sponsor may also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has taken a consolidated view of BXIN Office Parks India Private Limited and Opcore Services Limited.

About the company

BXIN Office Parks India Private Limited (BOPIPL), incorporated in April 2020, owns and operates a commercial office building OWC, in Lower Parel, Mumbai with total leasable area of 1.7 mn sq. ft., in Tower 1, 2A, 2B and the Annexe towers, pursuant to scheme of arrangement approved by the National Company Law Tribunal (NCLT). The Blackstone Group acquired the property from Indiabulls Group (i.e. IPPL) during FY2018-FY2020 (50% in March 2018 and balance in September 2019). In 2005, IPPL had acquired 11.11 acres of the Jupiter Mills Land in Mumbai through an auction conducted by NTC. An IT Park – One Indiabulls Centre was developed on the said land and the park commenced commercial operations in 2010. The name of the property was changed to OWC after Blackstone acquired the entity.

BOPIPL's wholly owned subsidiary Opcore Services Limited (OSL) is involved in maintenance of the properties- One International Centre (OIC) and OWC.

Key financial indicators (audited)

BOPIPL (Consolidated)	FY2021 [^]	FY2022 [^]
Operating income (Rs. crore)	354.0	315.0
PAT (Rs. crore)	-8.1	-13.0
OPBDIT/OI (%)	66.8%	59.8%
PAT/OI (%)	-2.3%	-4.1%
Total outside liabilities/Tangible net worth (times)	-2.1	-2.0
Total debt/OPBDIT (times)	11.1	13.7
Interest coverage (times)	1.1	1.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; [^]Provisional Statements

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					July 22, 2022			
1	Term loans	Long Term	2700.0	2516.1	[ICRA]BBB (Stable)	-	-	-
2	Non-fund based (Bank guarantee)	Long Term	30.1	-	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
Non-fund based (Bank guarantee)	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: www.icra.in

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-1	Dec 2019	7.13%	FY2035	2700.0	[ICRA]BBB (Stable)
NA	Non-fund based limit	NA	NA	NA	30.10	[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	Ownership	Consolidation Approach
BXIN Office Parks India Private Limited	100%	Full Consolidation
Opcore Services Limited	100%	Full Consolidation

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