

March 21, 2023

One World Center Private Limited: Rating upgraded to [ICRA]BBB+ (Stable) from [ICRA]BBB (Stable)

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	2,700.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Long Term - Non-fund based (Bank guarantee)	30.10	30.10	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
Total	2,730.10	2,730.10	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade factors in the improvement in occupancy levels for One World Center Private Limited (OWCPL) to 75% as of December 2022 from 65% as of April 2022, along with fund infusion of Rs. 85 crore by the sponsor in FY2023. Further, the expected fund infusion of Rs. 140 crore by its group company, One International Center Private Limited (OICPL) in Q4 FY2023/Q1 FY2024, along with the existing free cash balances of Rs. 23 crore as on January 31, 2023, would be adequate to meet any funding shortfall over the medium term.

The rating continues to draw comfort from OWCPL's strong sponsor profile, which holds 100% stake through its affiliates, i.e. entities owned or managed by The Blackstone Group Inc. (the sponsor) and the resulting financial flexibility. The sponsor has a strong track record of developing and operating commercial real estate assets in India, and commands significant financial flexibility. Further, the sponsor remains committed to infuse funds in a timely manner to support the cash flow mismatches. The company is expected to maintain an adequate liquidity profile, which is further aided by an escrow mechanism for the rental cash flows and a debt service reserve account (DSRA) equivalent to three months of interest payments. The rating also considers in the favourable location of the property in Lower Parel micro market, which is a well-developed commercial location and is well connected through rail and road network.

The rating is constrained by the company's high leverage and modest coverage indicators. Nonetheless, OWCPL's strong sponsor profile and the resulting financial flexibility, and the expected improvement in occupancy levels over the medium-term offer comfort. The rating is also constrained by the vulnerability of the debt coverage ratios to fluctuations in interest rates and occupancy levels. With 23% of the leased being out of lock-in period and another 19% area being due for lock-in expiry in FY2024, the company remains exposed to vacancy risk. 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 favourable location of the property.

The Stable outlook reflects ICRA's opinion that the company will be able to ramp-up occupancy over the near-to-medium term, driven 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 sponsor 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 provide comfort, thereby allowing it to command high financial flexibility. ICRA expects the sponsor to support OWCPL 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 OWCPL 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 a DSRA reserve equivalent to three months' lease rental discounting (LRD) instalments. As on January 31, 2023, it had DSRA balance of Rs. 72 crore. Additionally, the sponsor has provided timely funding support to OWCPL for meeting the debt servicing requirements. The sponsor infused Rs. 60 crore in FY2022 and another Rs. 85 crore in FY2023 in OWCPL. It is expected to receive funds of Rs. 140 crore from its group company, OICPL in Q4 FY2023/Q1 FY2024, which along with the existing free cash balances of Rs. 23 crore as on January 31, 2023, would be adequate to meet any funding shortfall over the medium term.

Credit challenges

High leverage and modest debt coverage indicators – The company's leverage remains high, while its debt servicing indicators are modest. However, OWCPL's strong sponsor profile and the resulting financial flexibility, along with the expected improvement in occupancy levels over the medium term provide comfort. Further, the sponsor remains committed to infuse funds in a timely manner to support the cash flow mismatches, as demonstrated in the past.

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 fluctuations in interest rates. Further, as OWCPL is a single asset-owning company with moderate tenant concentration, the market risk is heightened in case of any vacancy/non-renewal of leases. Its committed occupancy increased to 75% as of December 2022 from 65% as of April 2022. However, it remains exposed to vacancy risk, given that the lock-in period for 23% of the area has expired and further 19% of the area will be due for expiry in FY2024. Earlier, OWCPL's committed occupancy had fallen to 65% as of April 2022 from 73% as of March 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.

Liquidity position: Adequate

The liquidity profile is adequate, driven by unencumbered cash and liquid investments of Rs. 23 crore and DSRA balance of Rs. 72 crore as on January 31, 2023. The sponsor infused Rs. 85 crore in OWCPL in H1 FY2023. Further, Rs. 140 crore is expected to be infused by the group company, OICPL, in Q4 FY2023/Q1 FY2024 in the form of ICD, which along with the existing free cash balances would be adequate to meet any funding shortfall over the medium term. The sponsor remains committed to infuse funds, in a timely manner, to support the cash flow mismatches.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a significant increase in occupancy levels, coupled with realisation of scheduled escalations in a timely manner leading to a sustained improvement in coverage ratios.

Negative factors – Significant increase in vacancy levels leading to weakening of coverage metrics and liquidity position on a sustained basis may trigger a downward rating revision.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rental Rating approach - Consolidation
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 Limited.

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 Centre in Lower Parel, Mumbai, with a total leasable area of 16.65 lakh sq. ft., in Tower 1, 2A, 2B and the annexe towers. The Blackstone Group acquired the property from Indiabulls Group (Indiabulls Properties Private Limited or IPPL) during FY2018-FY2020 (50% in March 2018 and the balance in September 2019). The property became a part of BOPIPL, fully owned by the Blackstone Group, through a scheme of demerger. In 2005, IPPL acquired 11.11 acres of the Jupiter Mills Land in Mumbai through an auction conducted by NTC. An IT Park – One Indiabulls Center was developed on the said land and the park commenced commercial operations in 2010. The name of the property was changed to One World Centre after Blackstone acquisition.

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

Key financial indicators (audited)

OWCPL (Consolidated)	FY2021 [^]	FY2022 [^]
Operating income	317.8	279.2
PAT	-5.5	-29.6
OPBDIT/OI	74.4%	70.9%
PAT/OI	-1.7%	-10.6%
Total outside liabilities/Tangible net worth (times)	-2.0	-2.0
Total debt/OPBDIT (times)	11.1	13.0
Interest coverage (times)	1.1	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

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 of Mar 06, 2023 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Mar 21, 2023	July 22, 2022			
1	Term loans	Long Term	2700.0	2458.0	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	-	-	-
2	Non-fund based (Bank guarantee)	Long Term	30.1	-	[ICRA]BBB+ (Stable)	[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: [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	FY2020	-	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	OWCPL's Ownership	Consolidation Approach
Opcore Services Limited	100%	Full Consolidation

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