

July 03, 2020

One Qube Realtors Limited (erstwhile Ashkit Properties Limited): Rating Assigned to Term Loan Facility; Reaffirmed and Withdrawn for Non-Convertible Debenture Programme and Overdraft

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based	20.0	0.0	[ICRA]BBB- (Stable); Reaffirmed and withdrawn
Non-Convertible Debenture Programme	240.0	0.0	[ICRA]BBB- (Stable); Reaffirmed and withdrawn
Term Loan	0.0	264.0	[ICRA]BBB- (Stable); Assigned
Total	260.0	264.0	

*Instrument details are provided in Annexure-1

Rationale

The assigned rating draws strength from One Qube Realtors Limited's (OQRL/ the company) strong sponsor group, the Blackstone group, which through its affiliates owns 100% of the company. The sponsor is one of India's leading office landlords (over 690 lakh sq. ft. of office space across key metros and tier-I cities) and enjoys established leasing relationship with several blue-chip multinational companies and Indian corporates. OQRL is likely to derive operational synergies as well as financial flexibility from the proven track record and the diverse portfolio of its sponsors. The rating also factors in the favourable location of OQRL's sole property, 'One Qube' (OQ), at Udyog Vihar in Gurugram. The project is situated at the NH-48 service lane, thereby enabling presence on the highway and proximity to metro stations as well as connectivity to various parts of the city. The project also enjoys proximity to prime commercial hubs such as Cyber City. The project is expected to benefit from the healthy demand for office space in the micro market because of limited supply and relatively large absorption. The rating also takes into account the low regulatory risk, with all statutory approvals in place, for the commencement of construction of 0.54 million sq.ft. of leasable area.

The rating, however, is constrained by the residual execution risk, considering its intermediate stage of construction. The project had achieved 50% financial progress till March 31, 2020 and was scheduled to be completed by March 2021 as per the earlier estimates. However, the project faced delay in tying up the debt funding. Further, due to the Covid-19 pandemic, the work was stalled for approximately 2.5 months (April 2020 – June 2020). Consequently, the project is now scheduled to be completed by December 2021. With 100% land availability and all approvals in place for the commencement of construction, ICRA expects the project to be completed on time. Notwithstanding Blackstone's brand strength, the project faces demand risk as the leases are yet to be tied-up. ICRA is given to understand that the company is in discussions with several prospective tenants and the leases are expected to be tied-up once the project nears completion. However, the ability of the company to tie-up leases at remunerative rentals in a timely manner remains to be seen. The rating is further constrained by the geographically concentrated operations as the entire leasable area is at a single location in Gurugram. However, the same is mitigated to some extent as the project is a part of Blackstone Group, which has projects in geographically diverse locations. The rating is also exposed to refinancing risk given the bullet repayment structure of the construction loan, which is falling due on March 23, 2023. However, ICRA draws comfort from the financing flexibility and the proven track record of the refinancing ability of the sponsor group.

Key rating drivers and their description

Credit strengths

Strong sponsor group with established track record and diverse portfolio – The company is 100% owned by the Blackstone group through its affiliates. The sponsor is one of India's leading office landlords with over 690 lakh sq. ft. of office space across key metros and tier-I cities in India. It also enjoys established leasing relationships with several blue-chip multinational companies as well as Indian corporates. OQRL is likely to derive operational synergies as well as financial flexibility from the proven track record and the diverse portfolio of its sponsors.

Favourable location and good connectivity enhance project's attractiveness – Spread over 3.34 acre, 'One Qube', is being developed in Udyog Vihar, Sector-18, Gurgaon. The project is situated at the NH-48 service lane, enabling presence on the highway and proximity to metro stations. The project is accessible via service lane along NH – 48 with significant frontage along the same. The accessibility via NH-48 provides the project connectivity with various parts of the city. The project is also near to IndusInd Bank Rapid and MG Road Metro station and enjoys proximity to prime commercial hubs such as Cyber City. The project benefits from the attractive location and the healthy demand for office space in the micro market because of limited supply and relatively large absorption.

Low regulatory risk – The regulatory risk remains low, with all statutory approvals in place for commencement of construction of 0.54 million sq.ft. of leasable area.

Credit challenges

Exposed to residual execution risk – The project is exposed to residual execution risk, considering its intermediate stage of construction. The project had achieved 50% financial progress till March 31, 2020 and was scheduled to be completed by March 2021 as per the earlier estimates. However, the project faced delay in tying up the debt funding. Further, due to the Covid-19 pandemic, the work was stalled for approximately 2.5 months (April 2020 – June 2020). Consequently, the project is now scheduled to be completed by December 2021. With 100% land availability and all approvals in place for commencement of construction, ICRA expects the project to be completed on time.

Vulnerable to demand risk – Notwithstanding Blackstone's brand strength, the project faces demand risk as the leases are yet to be tied-up. ICRA is given to understand that the company is in discussions with several prospective tenants and the leases are expected to be the tied-up once the project nears completion. However, the ability of the company to tie-up leases at remunerative rentals in a timely manner remains to be seen.

Exposure to refinancing risk – The company is exposed to refinancing risk given the bullet repayment structure of the construction loan, which is falling due on March 23, 2023. However, ICRA draws comfort from the financing flexibility and the proven track record of the refinancing ability of the sponsor group.

Liquidity position: Adequate

The company's liquidity position remains adequate, with undrawn line of credit being Rs.199 crore and pending equity infusion being Rs.30 crore, as against pending construction cost of Rs.228.8 crore as on May 31, 2020. Further, Interest during construction (IDC) is adequate to meet the interest on term loan till COD. The principal repayment in the form of a single bullet payment falls due on March 23, 2023, which is expected to be refinanced.

Rating sensitivities

Positive triggers – ICRA could upgrade OQRL's rating if the project is completed as per the revised scheduled timelines within budgeted costs, and healthy ramp up in leasing is achieved at adequate rates.

Negative triggers – Negative pressure on OQRL’s rating could arise if there is cost overruns or unforeseen delays in the completion of the project. Considerable delays in lease tie-ups and lower-than-expected rentals may also result in a rating downgrade. ICRA expects the company to convert the construction loan into lease rental discounting loan once the project becomes operational. Any significant delay in converting to LRD would be negative from the credit perspective.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated on January 14, 2008, and earlier an Indiabulls Group company, One Qube Realtors Limited (erstwhile Ashkit Properties Limited), is currently developing a commercial project named “One Qube” on a land admeasuring approx. 3.34 acres with a total leasable area of 5.44 lakh sq. ft in Udyog Vihar, Gurugram. In December 2018, Indiabulls Real Estate Limited (IBREL) had divested 50% stake in OQRL to Blackstone Group and then remaining 50% in September 2019. The project is scheduled to be completed by December 2021.

Key financial indicators

	FY2019 (Audited)	FY2020 (Provisional)
Operating Income (Rs. crore)	0.0	0.0
PAT (Rs. crore)	-0.7	-1.1
OPBDIT/OI (%)	-	-
PAT/OI (%)	-	-
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.5
Total Debt/OPBDIT (times)	NM	NM
Interest Coverage (times)	NM	NM

Source: Company, ICRA research. NM – Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding (As on March 31, 2020)	Rating	FY2020	FY2019	FY2018
					03-Jul-2020	20-Dec-2019	-	-
1	Term Loan	Long Term	264.0	65.0	[ICRA]BBB- (Stable)	-	-	-
2	Overdraft	Long Term	20.0	-	[ICRA]BBB- (Stable); Reaffirmed and withdrawn	[ICRA]BBB- (Stable)		
3	NCD	Long Term	240.0	-	[ICRA]BBB- (Stable); Reaffirmed and withdrawn	[ICRA]BBB- (Stable)		

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Overdraft	Mar- 2019	10.9%	-	0.0	[ICRA]BBB- (Stable); Reaffirmed and withdrawn
NA	Non- Convertible Debenture Programme	Was not availed	-	-	0.0	[ICRA]BBB- (Stable); Reaffirmed and withdrawn
NA	Term Loan	Mar- 2020	10.0%	23-Mar-2023	264.0	[ICRA]BBB- (Stable)

Source: Company

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