

September 28, 2022

CtrlS (India) Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	170.00	170.00	[ICRA]A- (Stable); reaffirmed
Non-fund Based Facilities	1.00	1.00	[ICRA]A- (Stable); reaffirmed
Total	171.00	171.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation of CtrlS (India) Private Limited (CIPL) factors in the handover of the two tier-IV data center (DC) buildings in Mumbai, Maharashtra, along with commencement of rent income in a phased manner during September 2021 to March 2022. The buildings have been leased to a group company, CtrlS Datacenters Limited (CtrlS, rated at [ICRA]AA- (Stable)/A1+). The strong counterparty, which has taken the entire leasable area, resulted in a stable stream of cash flows for CIPL. Post-handover of the building, CtrlS has invested in the CIPL's facility by funding the Mechanical, Electrical and Plumbing (MEP) related capex and the operations are managed by CtrlS. The rating notes the long operational track record of the CtrlS Group in DC business. At present, the Group operates nine tier-IV DCs at four locations in India under the Group's flagship company, CtrlS Datacenters Limited.

At present, CIPL is undertaking capex towards construction of the third DC building (DC V) at a total cost of around Rs. 85 crore, which is expected to be funded through debt of Rs. 78 crore and security deposit of Rs. 7 crore. The works for DC V started in FY2023 and is in the initial stages of execution, resulting in exposure to project execution risk such as time and cost overruns. The building is likely to be handed over to CtrlS in FY2024 and timely delivery of the ongoing capex remains key monitorable. The completion of the two DC buildings, which were recently handed over, got delayed by six months on account of delay in receipt of approvals and pandemic-related challenges. The rating is constrained by the asset concentration risk, given the entire rentals are expected from a single property. The debt coverage ratios are vulnerable to factors such as changes in interest rates, given the floating nature of debt.

The Stable outlook on the long-term rating reflects ICRA's belief that the company would benefit from its strong counterparty and stable stream of cash flows.

Key rating drivers and their description

Credit strengths

Long operational track record of Group – The company will benefit from the Group's long operational track record in the DC business. At present, the Group operates nine tier-IV DCs at four locations in India under the Group's flagship company, CtrlS Datacenters Limited.

Strong counterparty, entire space to be leased out to group company, CtrlS Datacenters – CIPL has handed over two tier-IV DC buildings in Mumbai, Maharashtra. Besides, the rental income has commenced in a phased manner during September 2021 to March 2022. The buildings have been leased to a group company, CtrlS. The strong counterparty, which has taken the entire leasable area, resulted in stable stream of cash flows for CIPL. Post-handover of the building, CtrlS has also invested in the CIPL's facility by funding the MEP related capex and the operations are managed by CtrlS.

Credit challenges

Capex plans underway – At present, CIPL is undertaking capex towards construction of the third DC building (DC V) at a total cost of around Rs. 85 crore, which is expected to be funded through debt of Rs. 78 crore and security deposit of Rs. 7 crore. The works for DC V have started in FY2023 and is in the initial stages of execution, resulting in exposure to project execution risk such as time and cost overruns. The building is likely to be handed over to CtrlS in FY2024 and timely delivery of the ongoing capex remains key monitorable. The completion of the two DC buildings, which were recently handed over, got delayed by six months on account of delay in receipt of approvals and pandemic-related challenges.

Asset concentration risk and floating debt – The entire rentals are expected from a single property, thereby exposing it to asset concentration risk. The debt coverage ratios are vulnerable to factors such as changes in interest rates, given the floating nature of debt.

Liquidity position: Adequate

The company's liquidity position is adequate. It has debt repayment obligation of Rs. 6 crore in FY2023, which can be comfortably serviced through the estimated cash flow from operations. CIPL has capex plans of around Rs. 85 crore in FY2023 and FY2024, which will be funded through debt of Rs. 78 crore (undrawn term loan of Rs. 30 crore and Rs. 48 crore debt yet to be tied-up) and the balance through security deposits.

Rating sensitivities

Positive factors – ICRA could upgrade CIPL's rating if higher-than-expected rental inflows in a timely manner and favourable changes in debt terms improve the coverage metrics. Specific credit metrics that could lead to an upgrade include five-year moving average DSCR of more than 1.4 times on a sustained basis.

Negative factors – Negative pressure on CIPL's rating could arise if there is a significant delay in rental inflows. Specific credit metrics that could lead to a downgrade include five-year moving average DSCR staying below 1.2 times on a sustained basis.

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	Standalone

About the company

CtrlS (India) Private Limited was incorporated in 2008 with the objective of providing infrastructure for data storage and data protection solutions. It is setting up a DC facility in three phases, with a proposed capacity of 15,000 racks. The proposed facility would be established at TTC, Mahape in Thane, Maharashtra, which is adjacent to the Group's already existing DC. The phase 1 (Mumbai DC III, III NX and IV buildings) with 5,000 rack capacity is handed over to CtrlS Datacenters Limited on lease during September 2021 to March 2022 in a phased manner. At present, CIPL is undertaking construction of Mumbai DC V at a total project cost of Rs. 85 crore.

Key financial indicators

	FY2022
	Provisional
Operating income	1.4
PAT	-3.6
OPBDIT/OI	96.5%
PAT/OI	-248.1%
Total outside liabilities/Tangible net worth (times)	-87.5
Total debt/OPBDIT (times)	207.5
Interest coverage (times)	0.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Source: Company; ICRA Research, CtrlS (India) started commercial operations in H2 FY2022

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 Mar 31, 2022 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Sep 26, 2022			
1	Term Loan	Long-term	170.00	126.72	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Non-fund Based Facilities	Long-term	1.00	1.00	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Non-fund Based Facilities	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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	Jan 2020	NA	Aug 2029	170.00	[ICRA]A- (Stable)
NA	Non-fund Based Facilities	NA	NA	NA	1.00	[ICRA]A- (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

Not applicable

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