

September 25, 2024

## Neovantage Innovation Park 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 loan	245.00	245.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]BBB (Stable)
<b>Total</b>	<b>245.00</b>	<b>245.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating upgrade for Neovantage Innovation Park Private Limited (NIPPL) factors in the increase in scale, occupancy levels of the existing operational buildings as well as timely construction of Building 9900 (phase 1) with 100% leasing as of August 2024. The consolidated occupancy increased to ~94% as of August 2024 from 87% as of July 2023 on an expanded base resulting in a comfortable leverage and adequate debt coverage metrics. Backed by adequate leasing pipeline, the occupancy is expected to further improve in the near term. The rating considers the reputed tenant profile like Novartis Healthcare Private Limited, Ashland India Private Limited, Sandoz India Private Limited, Alembic Ltd, etc, with long-term lease agreements and attractive location of the assets in Genome Valley, Hyderabad, which is an established biotech and pharma research and development (R&D) hub resulting in healthy occupancy levels. The leverage is likely to remain comfortable with total debt/Net Operating Income (NOI) of around 5.5-5.7 times as of March 2025 (PY: 5.5 times) and coverage remains adequate with five-year average DSCR (FY2025-FY2029) estimated to be above 1.20 times.

The rating is, however, constrained by the high tenant concentration, with top five tenants occupying 64% of the total leasable area and contributing to 61% of the total rental income for FY2024. This exposes the company to high market risks in case any of these tenants vacate their areas. Nonetheless, ICRA draws comfort from the long-term lease agreements with reputed clients and high initial investment from tenants, which increases the client stickiness. It plans to develop phase 2 of Building 9900 with a leasable area of ~0.09 msf at a total cost Rs. 55-60 crore over the next 12-18 months. Timely leasing at adequate rental rates would remain important. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rates and material decline in occupancy levels. While the rated instrument does not have a debt service reserve account (DSRA), ICRA takes comfort from the existing liquidity of Rs. 15.9 crore as on August 31, 2024, and long track record of timely rental receipts from NIPPL's tenants.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the healthy occupancy, which is expected to further ramp-up, while maintaining comfortable debt protection metrics.

### Key rating drivers and their description

#### Credit strengths

**Improvement in occupancy levels on an expanded base** – The company has witnessed increase in scale, occupancy levels of the existing operational buildings as well as timely construction of Building 9900 (phase 1) with 100% leasing as of August 2024. The consolidated occupancy has increased to ~94% as of August 2024 from 87% as of July 2023 on an expanded base resulting in comfortable leverage and healthy debt coverage metrics. Backed by adequate leasing pipeline, the occupancy is expected to further improve in the near term.

**Attractive property location and reputed tenant profile** – The company has a reputed tenant profile like Novartis Healthcare Private Limited, Ashland India Private Limited, Sandoz India Private Limited, Alembic Ltd, etc. with long-term lease agreements and attractive location of the assets in Genome Valley, Hyderabad, which is an established biotech and pharma R&D hub resulting in healthy occupancy levels.

**Healthy leverage and coverage metrics** – The leverage is likely to remain comfortable with total debt/Net Operating Income (NOI) of around 5.5-5.7 times as of March 2025 (PY: 5.5 times), while the five-year average DSCR (FY2025-FY2029) is estimated to be above 1.20 times.

### Credit challenges

**High tenant concentration risk** – NIPPL is exposed to high tenant concentration, with top five tenants occupying 64% of the total leasable area and contributing to 61% of the total rental income for FY2024. This exposes the company to high market risks in case any of these tenants vacate their areas. Nonetheless, ICRA draws comfort from the long-term lease agreements with reputed clients and the high initial investment from tenants, which increases the client stickiness. It also plans to develop phase 2 of Building 9900 with leasable area of ~0.09 msf at a total cost Rs. 55-60 crore over the next 12-18 months. Timely leasing at adequate rental rates would remain important.

**Exposure to change in interest rates and reduction in occupancy levels** – The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rates and material decline in occupancy levels. While the rated instrument does not have a DSRA, ICRA takes comfort from the existing liquidity of Rs. 15.9 crore as on August 31, 2024, and long track record of timely rental receipts from NIPPL’s tenants.

### Liquidity position: Adequate

NIPPL has free cash and bank balance of Rs. 15.9 crore as on August 31, 2024. The company has debt repayment obligation of Rs. 11.0 crore in FY2025 and Rs. 16.5 crore in FY2026, which is expected to be comfortably serviced through its estimated cash flow from operations.

### Rating sensitivities

**Positive factors** – The rating may be upgraded if there is an increase in scale and/or significant improvement in rental rates and a material reduction in debt levels resulting in improvement in debt coverage metrics. Specific credit metric for a rating upgrade includes 5-year average DSCR greater than 1.3 times on a sustained basis.

**Negative factors** – The rating may be downgraded in case of material decline in the occupancy levels or significant increase in indebtedness resulting in weakening of debt protection metrics and liquidity position on a consistent basis. Specific credit metrics for a rating downgrade include five-year average DSCR of less than 1.15 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty - Lease Rental Discounting</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

## About the company

Neovantage Innovation Park Private Limited (NIPPL) (earlier known as MN Takshila Industries Private Limited) is a subsidiary of Ivanhoe India Equities Inc and the ultimate parent is Caisse de dépôt et placement du Québec (CDPQ). As of August 2024, the company has an operational leasable area of 0.57 msf with total occupancy of ~94% and a proposed development 0.09 msf.

## Key financial indicators

NIPPL	FY2023	FY2024
	Audited	Provisional
Operating income	45.0	49.9
PAT	6.2	16.0
OPBDIT/OI	66.3%	70.3%
PAT/OI	13.8%	32.1%
Total outside liabilities/Tangible net worth (times)	3.6	2.8
Total debt/OPBDIT (times)	7.0	6.0
Interest coverage (times)	2.1	2.4

Source: Company; ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation  
Amounts in Rs. crore

**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)	September 25, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	245.00	[ICRA]BBB+ (Stable)	25-Sep-23	[ICRA]BBB (Stable)	27-Jun-22	[ICRA]BBB (Stable)	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term loan	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	Dec 2019	NA	April 2032	180.00	[ICRA] BBB+ (Stable)
NA	Term loan	Mar 2022	NA	April 2032	65.00	[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 – Not Applicable**

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### Branches



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