

December 27, 2024

Reproscan Tech Park LLP: Rating downgraded to [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	148.76	133.47	[ICRA]BBB+ (Stable); downgraded from [ICRA]A- (Stable)
Long-term – Fund-based – Overdraft	25.65	25.65	[ICRA]BBB+ (Stable); downgraded from [ICRA]A- (Stable)
Long-term – Non-fund based – Bank guarantee	7.00	7.00	[ICRA]BBB+ (Stable); downgraded from [ICRA]A- (Stable)
Long-term – Unallocated	3.59	18.88	[ICRA]BBB+ (Stable); downgraded from [ICRA]A- (Stable)
Total	185.00	185.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action for Reproscan Tech Park LLP (RTPL) factors in the lower rentals with one of the tenants vacating the space (in FY2024) and higher overheads, which has adversely impacted the debt coverage metrics. While the company has been able to rent the vacated space in August 2024 and the occupancy is strong at 97% for PS Srijan Tech Park as of October 2024, the projected debt service coverage ratio (DSCR) is estimated to be moderate at less than 1.1 times in FY2025 and FY2026, given the sustained high overhead costs, along with increase in debt obligations (due to ballooning repayment structure). The rating factors in the high tenant concentration risk, as top five tenants occupied 70% and 62% of the leasable area in PS Srijan Corporate Park and PS Srijan Tech Park, respectively. Further, the company is exposed to high lease renewal risk as 58% of the leases are due for expiry over the next two years. The rating is constrained by the high geographical and asset concentration risks with revenues dependent on only two properties, with both of them located in the same area in Kolkata. The rating considers the vulnerability of debt coverage ratios to factors such as changes in interest rates or reduction in occupancy levels.

However, the rating derives strength from the strong occupancy levels of 100% and 97% in PS Srijan Corporate Park and PS Srijan Tech Park, respectively, as of November 2024. The rating takes comfort from RTPL's comfortable leverage position as indicated by Debt/Net Operating Income (NOI), which stood at 5.2 times as of March 2024, and is likely to remain below 5 times in the medium term. The assets are favourably located in Sector V, Salt Lake, which is a well-developed commercial location, enhancing project's attractiveness. RTPL is backed by established track record of the promoters, i.e., the Srijan Group and the PS Group, who have significant experience in developing and operating real estate assets in and around Kolkata.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that the entity will benefit from its strong occupancy and comfortable leverage position, which is expected to continue in the medium term.

Key rating drivers and their description

Credit strengths

Strong occupancy levels and comfortable leverage position – The occupancy levels of both the properties remain healthy at 100% and 97% in PS Srijan Corporate Park and PS Srijan Tech Park, respectively, as of November 2024. The rating takes comfort from RTPL's comfortable leverage position as indicated by Debt/Net Operating Income (NOI) of 5.2 times as of March 2024. The same is likely to remain below 5 times in the medium term.

Established track record of promoters; favourable location and good connectivity enhance project’s attractiveness – RTPL is a 50:50 joint venture between the Srijan Group and the PS Group. The assets are favourably located in Sector V, Salt Lake, which is a well-developed commercial location, enhancing the project’s attractiveness. RTPL is backed by an established track record of the promoters, i.e., the Srijan Group and the PS Group, who have significant experience in developing and operating real estate assets in and around Kolkata.

Credit challenges

Moderation in debt coverage metrics – The rating factors in the lower rentals with one of the tenants vacating the space (in FY2024) and higher overheads, which has adversely impacted the debt coverage metrics. While the company has been able to rent the vacated space in August 2024 and the occupancy is strong at 97% for PS Srijan Tech Park as of October 2024, the projected debt service coverage ratio (DSCR) is estimated to be moderate at less than 1.1 times in FY2025 and FY2026, given the sustained high overhead costs, along with increase in debt obligations (due to ballooning repayment structure).

High tenant concentration and lease renewal risks – The entity is exposed to high tenant concentration risk, given that top five tenants occupied 70% and 62% of the leasable area in PS Srijan Corporate Park and PS Srijan Tech Park, respectively. Further, the company is exposed to high lease renewal risk as 58% of the leases are due for expiry over the next two years. The rating considers the vulnerability of debt coverage ratios to factors such as changes in interest rates or reduction in occupancy levels.

Liquidity position: Adequate

RTPL’s liquidity position is adequate, corroborated by cash and cash equivalents of Rs. 4 crore as on March 31, 2024 and undrawn OD limits of Rs. 5-6 crore. The company has principal debt obligations of Rs. 14.1 crore in FY2025 and Rs. 13.0 crore in FY2026, which can be serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – The rating can be upgraded if the company is able to sustain high occupancies and significantly improve the debt coverage metrics. Specific credit metric for a rating upgrade include five-year average DSCR greater than 1.3 times on a sustained basis.

Negative factors – The rating may be downgraded in case of a material decline in occupancy or rental rates and/or inability to improve the debt coverage metrics or liquidity position on a sustained basis. Specific credit metric that could lead to a rating downgrade include five-year DSCR falling below 1.10 times on a consistent basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology–Realty (Lease Rental discounting)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Reproscan Tech Park LLP is a 50:50 joint venture between the Srijan Group and PS Group. At present, it owns two commercial properties, PS Srijan Corporate Park and PS Srijan Tech Park, with a total leasable area of 0.43 msf. Both properties are located in Sector V, Salt Lake City, Kolkata.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	58.2	58.5
PAT	10.0	11.2
OPBDIT/OI	52.5%	48.4%
PAT/OI	17.1%	19.1%
Total outside liabilities/Tangible net worth (times)	8.8	6.8
Total debt/OPBDIT (times)	5.9	5.8
Interest coverage (times)	1.4	1.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount Rated (Rs)	Dec 27, 2024	Date	Rating	Date	Rating	Date	Rating
Long term-overdraft-fund based	Long Term	25.65	[ICRA]BBB+ (Stable)	29-SEP-2023	[ICRA]A- (Stable)	-	-	-	-
Long term-term loan-fund based	Long Term	133.47	[ICRA]BBB+ (Stable)	29-SEP-2023	[ICRA]A- (Stable)	10-JUN-2022	[ICRA]A- (Stable)	20-AUG-2021	[ICRA]BBB+ (Stable)
Long term-bank guarantee-non fund based	Long Term	7.00	[ICRA]BBB+ (Stable)	29-SEP-2023	[ICRA]A- (Stable)	-	-	-	-
Long term-unallocated-unallocated	Long Term	18.88	[ICRA]BBB+ (Stable)	29-SEP-2023	[ICRA]A- (Stable)	10-JUN-2022	[ICRA]A- (Stable)	20-AUG-2021	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Long-term – Overdraft	Simple
Long-term – Non-fund based	Very Simple
Long-term – Unallocated	Not Applicable

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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	FY2017	NA	FY2031-FY2032	133.47	[ICRA]BBB+ (Stable)
NA	Overdraft	NA	NA	NA	25.65	[ICRA]BBB+ (Stable)
NA	Non-fund Based	NA	NA	NA	7.00	[ICRA]BBB+ (Stable)
NA	Unallocated	NA	NA	NA	18.88	[ICRA]BBB+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Ashish Modani

+91 20 6606 9912

ashish.modani@icraindia.com

Anupama Reddy

+91 40 6939 6427

anupama.reddy@icraindia.com

Abhishek Lahoti

+91 40 6939 6433

abhishek.lahoti@icraindia.com

Preeti Rana

+91 124 4545 887

preeti.rana@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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