

April 21, 2025

Sandhya Infocity Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	280.00	[ICRA]BB- (Stable); Assigned
Total	280.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Sandhya Infocity Limited (SIL) factors in the exposure to market risk with around 24% of the leasable area yet to be leased as of March 2025, high tenant concentration risk in the asset, wherein its top tenant, HCL Technology, occupy around 73% of the leased area as of March 2025. Further, the top five tenants of the project occupy around 99% of the total leased area as of March 2025. Nonetheless, the reputed tenant profile as well as investments made by the tenants towards fitouts mitigate the risk to some extent. The rating considers the single asset nature of the company and the dependence on revenues from a single property, exposing it to asset concentration risk. The rating notes SIL's exposure to the inherent cyclicity in the real estate industry and vulnerability of its debt coverage metrics to factors such as changes in interest rates or reduction in occupancy levels. ICRA also notes that there are certain auditor qualifications, primarily towards its inadequate internal controls, in the audit report of FY2024. Hence, improvement of the overall internal controls, while addressing these observations, will be the key monitorable.

The rating, however, favourably factors in the favourable location of the project in Navalur, Chennai, one of key IT hubs, supporting the marketability of the project. The company's total debt is at Rs. 295.2 crore as of February 2025 (– Rs. 308.5 crore as of March 2024) and is expected to reduce in the medium term on account of scheduled repayments. This along with the estimated improvement in NOI, supported by scheduled rental escalation is likely to result in comfortable leverage with total debt/NOI projected to be below 3.5 times in the medium term (3.6 times as of March 2024). The debt coverage metrics is expected to remain moderate as reflected by five-year DSCR of 1.14 times during FY2025-FY2029.

The Stable outlook on SIL's rating reflects ICRA's opinion that the company will maintain comfortable leverage and moderate debt coverage metrics while sustaining its occupancy levels, supported by the favourable location of the asset.

Key rating drivers and their description

Credit strengths

Favourable location of the park with reputed tenant profile – The project is favourably located in Navalur, Chennai, along the OMR Road, which is one of key IT hubs of Chennai. The micromarket is characterised by good infrastructure as well as connectivity with the rest of the city. The upcoming metro connectivity to the micromarket is expected to enhance the marketability of the project.

Comfortable leverage and moderate debt coverage metrics – The company's total debt is Rs. 295.2 crore as of February 2025 (Rs. 308.5 crore as of March 2024) and is expected to reduce in the medium term on account of scheduled repayments. This along with the estimated improvement in NOI, supported by scheduled rental escalation is likely to result in comfortable leverage with total debt/NOI projected to remain below 3.5 times in the medium term (3.6 times as of March 2024). The debt coverage metrics is expected to remain moderate as reflected by five-year DSCR of 1.14 times during FY2025-FY2029.

Credit challenges

Exposed to tenant concentration and market risks – SIL is exposed to high tenant concentration risk in the asset, with its top tenant, HCL Technology, occupying around 73% of the leased area as of March 2025. Further, the top five tenants of the project occupy around 99% of the total leased area. Nonetheless, the reputed tenant profile as well as investments made by the tenants towards fitouts mitigate the risk to some extent. The company is also exposed to market risks, wherein around 24% of the leasable area is vacant as of March 2025.

Exposure to asset concentration risk and vulnerability of debt coverage metrics to external factors – The company remains exposed to the inherent cyclical nature in the real estate industry and vulnerability to external factors. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or reduction in occupancy levels. The rating factors in the single asset nature of the company and the dependence on revenues from a single property, exposing it to asset concentration risk.

Liquidity position: Stretched

SIL's liquidity is stretched. It has cash and liquid investments of Rs. 1.2 crore as of February 2025. The company currently does not have any capex plans in the medium term. It has debt servicing obligation (P+I) of Rs. 65-68.0 crore in FY2026, which can be met through its estimated cash flow from operations. However, the company has track record of supporting the group entities by giving loans and advances resulting in limited on-balance liquidity.

Rating sensitivities

Positive factors – The rating could be upgraded in case of significant improvement in occupancy levels of the project at adequate rental rates resulting in improvement in debt protection metrics, on a sustained basis, along with improvement in internal controls of the company.

Negative factors – Pressure on the rating could emerge if there is any material decline in occupancy or significant increase in indebtedness resulting in deterioration of debt protection metrics and liquidity.

Analytical approach

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

About the company

Sandhya Infocity Limited (SIL), operates a commercial IT SEZ office park at Navalur, Chennai, with a leasable area of 1.53 msf. The park has been operational since 2007 under the name ETA Technopark Ltd developed by ETA Star Property Developers. Subsequently in FY2018, it was acquired by KKN Holdings and the company was changed to Bayline Infocity Limited. Later, the office park was bought by the current promoters and the name was changed to Sandhya Infocity Limited in November 2020. The current promoters, Sandhya Group are based out of Hyderabad and have experience in construction and project management in Hyderabad.

Key financial indicators (audited)

SIL (Standalone)	FY2023	FY2024	11M FY2025*
Operating income	111.9	116.6	108.2
PAT	28.4	27.7	35.1
OPBDIT/OI	68.6%	68.0%	69.6%
PAT/OI	25.4%	23.7%	32.5%
Total outside liabilities/Tangible net worth (times)	1.9	1.6	1.2
Total debt/OPBDIT (times)	4.4	3.9	3.6
Interest coverage (times)	2.6	2.5	2.7

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; * Provisional Numbers

Status of non-cooperation with previous CRA

Credit Rating Agency	PR Published Date	Rating
Crisil	May 14, 2024	CRISIL BB+/Stable (ISSUER NOT COOPERATING)

Source: Crisil Website

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Term Loans	Long term	280.00	April 21, 2025	[ICRA]BB-(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – 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	Fund-based – Term Loans	FY2020	NA	FY2034	280.00	[ICRA]BB- (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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