

June 11, 2021

CtrlS (India) Private Limited: Rating upgraded to [ICRA]A- (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	170.00	170.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable)
Non-fund based Working Capital Facility	1.00	1.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable)
Total	171.00	171.00	

*Instrument details are provided in Annexure-1

Rationale

The upgrade in rating of CtrlS (India) Private Limited (CIPL/ the company) factors in the improved revenue visibility and the reduced execution risks. The company is handing over the space to CtrlS Datacenters Limited (CtrlS, rated at [ICRA]AA- (Stable)/A1+) in a phased manner and rentals are expected to commence from September 2021 onwards. The strong counterparty, which will take up the entire leasable area, results in stable stream of cash flows for CIPL. CIPL is setting up a tier-IV datacenter (DC) in Mumbai, Maharashtra, adjacent to the existing datacenter of CtrlS, with a proposed capacity of 6000 racks in phase 1 of the project. CtrlS has also invested in the CIPL's facility by funding the MEP (Mechanical, Electrical and Plumbing) related capex; post completion, the operations will be managed by CtrlS. The rating also factors in the long operational track record of the CtrlS Group in data center business. Currently, the Group operates six tier-IV DCs at four locations in India under the Group's flagship company, CtrlS Datacenters Limited.

The rating is, however, constrained by the residual execution risks; however, comfort can be taken from the extensive experience of the Group in executing datacenter projects. As on March 31, 2021, CIPL has incurred Rs. 164 crore, which was funded by debt of Rs. 50 crore and promoters' contribution of Rs. 114 crore as against a total project cost of Rs. 300 crore. Further, the company has handed over two floors space in DC-3 building to CtrlS and the balance portion is expected to be handed over by end of June 2021. The DC-4 building is expected to be handed over in a phased manner by September 2021. The rating is also 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.

Key rating drivers and their description

Credit strengths

Long operational track record of Group – The company will benefit from the long operational track record of the Group in DC business. Currently, the Group operates six tier-IV datacenters at four locations in India under the Group's flagship company, CtrlS Datacenters Limited. CIPL is building a tier-IV datacenter in Mumbai, Maharashtra, adjacent to the existing datacenter of CtrlS, with a proposed capacity of 6000 racks in phase 1 of the project.

Strong counterparty; entire space to be leased out to group company, CtrlS Datacenters – CIPL is handing over the space to CtrlS in a phased manner and rentals are expected to commence from September 2021 onwards. The strong counterparty, which will take up the entire leasable area, results in stable stream of cash flows for CIPL. CtrlS has also invested in the CIPL's facility by funding the MEP (Mechanical, Electrical and Plumbing) related capex; post completion, the operations will be managed by CtrlS.

Credit challenges

Exposed to residual execution risks - The project remains exposed to residual execution risks; however, comfort can be taken from the extensive experience of the Group in executing datacenter projects. As on March 31, 2021, CIPL has incurred Rs. 164 crore which was funded by debt of Rs. 50 crore and promoters' contribution of Rs. 114 crore as against total project cost of Rs. 300 crore. Further, the company has handed over two floors of space in DC-3 building to CtrlS and the balance portion is expected to be handed over by end of June 2021. The DC-4 building is expected to be handed over in a phased manner by September 2021.

Asset concentration risk and floating debt – The entire rentals are expected from a single property, thereby exposing 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 liquidity position of the company is adequate. The pending project cost of Rs. 136 crore as on March 31, 2021 is expected to be funded by debt of Rs. 120 crore and the remaining Rs. 16 crore from the promoter's contribution. The debt repayment starts in November 2021 and the annual principal repayment for FY2022 is Rs. 2 crore, which can be met through the estimated cash flow from operations.

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 5-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 project completion or rental inflows. Specific credit metrics that could lead to a downgrade include 5-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	-
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 datacenter 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 datacenter. The phase 1 of the project, with a proposed capacity of 6000 racks, is expected to incur a total project cost of Rs. 300 crore, which will be funded through a debt of Rs. 170 crore and promoter contribution of Rs. 130 crore. The project is expected to be completed by October 2021 and once the construction is completed, the building will be handed over to the group company, CtrlS, on lease basis and CIPL will receive lease rentals.

Key financial indicators

Not applicable as CtrlS (India) Private Limited is a project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Jun 11, 2021			
1	Term Loan	Long-term	170.00	170.00	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	
2	Non-fund based Limits	Long-term	1.00	1.00	[ICRA]A-(Stable)	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based-Term Loan	Simple
Non-fund based Working Capital Facility	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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan	Jan-2020	-	Aug-2029	170.00	[ICRA]A- (Stable)
NA	Credit Exposure Limit	-	-	-	1.0	[ICRA]A- (Stable)

Source: CIPL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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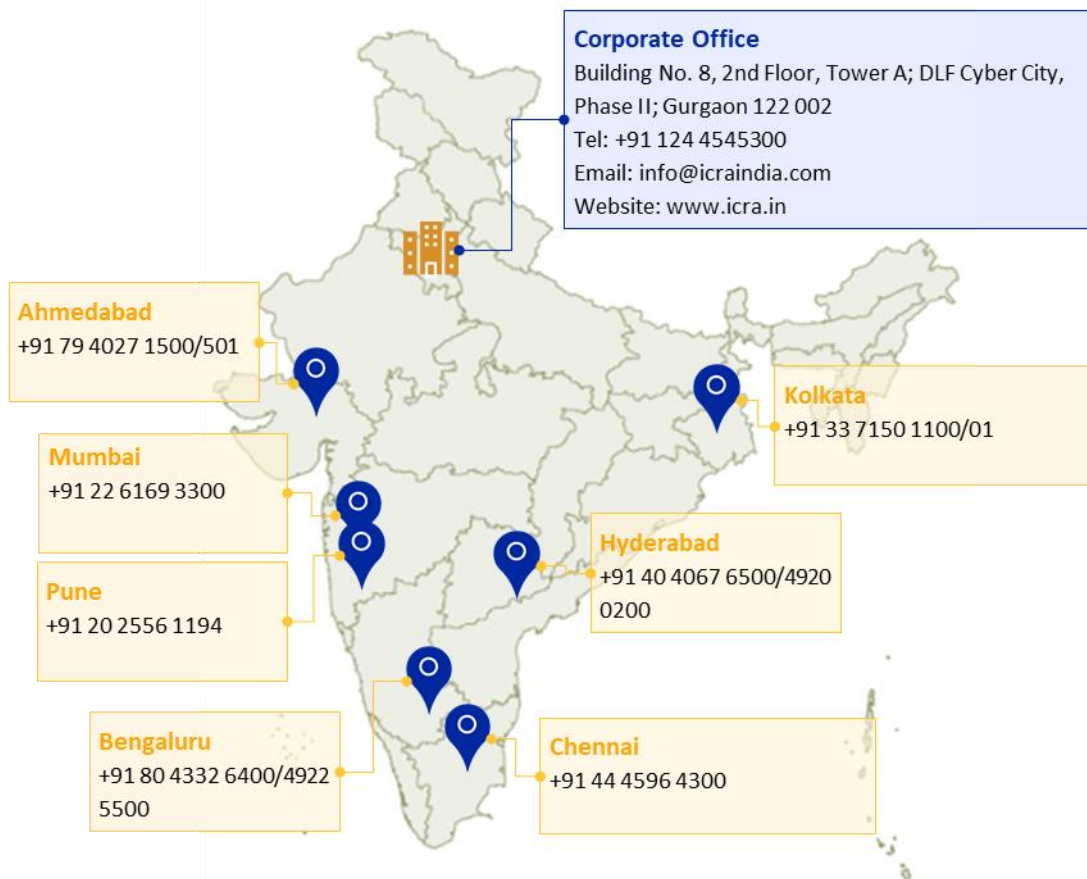


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