

July 27, 2023

AIGP Developers (Pune) Private Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Term loan	700.0	[ICRA]A (Stable); assigned
Long term – Fund-based – Unallocated	175.0	[ICRA]A (Stable); assigned
Total	875.0	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating factors in AIGP Developers (Pune) Private Limited's (ADPL) strong promoter group, with Government of Singapore Investment Corporation (GIC) owning 70% and the remaining held by CapitaLand Group, a Temasek Holdings (Private) Limited entity¹. CapitaLand India Private Limited has an established execution and leasing track record in the office leasing segment and has developed around 26.5 million square feet (msf) of space across six cities in India. GIC (Realty) Pte Ltd is private company incorporated under the laws of Singapore and holds real estate investments made on behalf of the Government of Singapore. The strong promoter profile lends exceptional financial flexibility to the company. The rating considers the favourable location of the project in Kharadi, Pune, which is one of the preferred destinations for IT/ITES companies. In addition, Kharadi is witnessing a steady rise in commercial and residential developments, which enjoys good connectivity, along with competitive rentals making it an established micro-market for companies from different industries in the city. In addition, the rating notes the healthy occupancy levels at ~80% of Phase 1 of 1.46 msf as on July 13, 2023, strong tenant profile and healthy leasing pipeline with occupancy expected to further ramp up over the near term.

The rating is, however, constrained by ADPL's exposure to execution, market, and refinancing risks for Phase 2 (1.29 msf) of the project. ADPL has completed 35% of Phase 2 as on March 31, 2023, and is exposed to moderate execution risk. However, the risk is mitigated partly by the strong executional track record of the promoters in completing commercial real estate projects. The project has no pre-leasing as on date for Phase 2, which exposes the company to high market risk. It has construction finance loan with bullet repayment structure in June 2026. Any delays in construction or inadequate leasing may adversely impact its refinancing ability. Further, the company has applied for de-notification of SEZ status for Phase 2, which is expected by December 2023. ICRA notes that there is a healthy timeline cushion with respect to refinancing of the construction loan for Phase 2, which is due in June 2026. In addition, the Group's leasing track record and exceptional financial flexibility provide comfort. The single asset nature of the development increases the market risk in case of any large vacancy. Further, the debt coverage ratios remain sensitive to any additional indebtedness, changes in interest rates and reduction in occupancy levels.

The Stable outlook reflects ICRA's expectation that ADPL will continue to benefit from the strong execution, exceptional financial flexibility and leasing track record of its promoter Group, healthy occupancy of Phase 1 and the favourable project location.

¹Temasek Holding (Private) Limited, which is 100% owned by Government of Singapore through Minister of Finance, has deemed interest of ~53% in CapitaLand Investments Limited as on December 31, 2022.

Key rating drivers and their description

Credit strengths

Strong promotor group with established track record lends financial flexibility – ADPL is a part of a strong promoter group with GIC owning 70% and the remaining held by CapitaLand Group, a Temasek Holdings (Private) Limited entity. CapitaLand Group has an established execution track record in the real estate space with presence across more than 260 cities in over 40 countries. CapitaLand Investments has assets under management (AUM) of S\$ 130 Bn in real estate as of September 2022. CapitaLand India Private Limited has developed around 26.5 msf spread across six cities in India with a strong leasing track record. GIC (Realty) Pte Ltd is private company incorporated under the laws of Singapore and holds real estate investments made on behalf of the Government of Singapore. Further, the strong promoter profile lends exceptional financial flexibility to the company.

Favorable location of the project – The project, International Tech Park Pune (ITPP), is in Kharadi, Pune which forms a part of the SBD East commercial micro-market of Pune and is one of the preferred destinations for IT/ITES companies. Kharadi is also witnessing a steady rise in commercial and residential developments, enjoys good connectivity with competitive rentals making it an established micro-market for companies from different industries in the city.

Healthy occupancy levels of Phase 1 along with reputed tenant profile – The company has achieved ~80% occupancy for Phase 1 of 1.46 msf as on July 13, 2023, and with healthy leasing pipeline, the occupancy is expected to further ramp-up over the near to medium term. The tenant profile consists of reputable names with long lease tenure of 5-10 years and lease lock-in period of 3-5 years. With the existing lease tie-up, ADPL has successfully raised adequate LRD and has repaid the construction finance loan availed for Phase 1. Further, the company has created 2 months' principal plus interest repayment obligations as debt service reserve account (DSRA) for the LRD loan.

Credit challenges

Exposed to moderate execution risk for Phase 2 – ITPP involves developing 2.76 msf of leasable office space. Phase 1 of the project covering 1.46 msf of area is completed and is operational. ADPL has completed 35% of Phase 2 as on March 31, 2023, and is exposed to moderate execution risk. However, the risk is mitigated partly by the strong executional track record of the promoters in completing commercial real estate projects.

High market risk for Phase 2 and exposure to refinancing risk – The project has no pre-leasing as on date for Phase 2, which exposes the company to high market risk. It has construction finance loan with bullet repayment in June 2026. Any delays in construction or inadequate leasing may adversely impact its refinancing ability. Further, the company has applied for de-notification of SEZ status for Phase 2, which is expected by December 2023. ICRA notes that there is a healthy timeline cushion with respect to refinancing of the construction loan for Phase 2, which is due in June 2026. In addition, the Group's leasing track record and exceptional financial flexibility provide comfort.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The single asset nature of the development increases the market risk in case of any vacancy or non-renewal of leases. Further, the debt coverage ratios remain sensitive to any additional indebtedness, changes in interest rates and reduction in occupancy levels.

Liquidity position: Adequate

The company's liquidity position is adequate, backed by undrawn limits of LRD loan of ~Rs. 75 crore and cash balances of ~Rs. 37 crore as on March 31, 2023. Additionally, the project cost of Phase 2 is funded by debt-to-equity ratio of 75:25 with the entire debt tie-up in place. In addition, the pending equity for Phase 2 of ~Rs. 90-95 crore will be infused as and when required.

Rating sensitivities

Positive factors – ADPL’s rating could be upgraded if there is a significant increase in committed occupancy exceeding 85% for both Phase 1 and Phase 2. Specific credit metric that could lead to an upgrade is total debt/NOI² of less than 6 times on a sustained basis, while maintaining comfortable debt coverage metrics.

Negative factors – Downward pressure on the rating could emerge if there is material decline in occupancy of Phase 1 resulting in moderation of debt protection metrics on a sustained basis. Further, if there is a significant delay in construction of Phase 2 or inability to achieve adequate leasing impacting the company’s ability to timely refinance construction finance loan for Phase 2 will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for LRD
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

ADPL was incorporated on February 23, 2017, under the name HHP Developers (Pune) Private Limited, which was changed on April 7, 2017. It develops and operates IT/ITES parks in Pune. The company is 100% owned by AIGP 1 Pune B Pte. Ltd, which is ultimately owned by GIC (Realty) Pte Ltd (70%) and CapitaLand Investment Limited (30%). At present, ADPL is developing commercial office space in two phases of International Tech Park Pune (ITPP) at Kharadi, Pune. Phase 1 has a leasable area of 1.46 msf and has received Occupancy Certificate (OC) in December 2021. Phase 2 has a leasable area of 1.29 msf and is currently under construction.

Key financial indicators

Standalone	FY2022	FY2023
	Audited	Provisional
Operating income (Rs. crore)	7.8	77.8
PAT (Rs. crore)	-29.9	-25.2
OPBDIT/OI (%)	-52.4%	57.6%
PAT/OI (%)	-384.4%	-32.4%
Total outside liabilities/Tangible net worth (times)	5.7	9.5
Total debt/OPBDIT (times)	-175.7	21.7
Interest coverage (times)	-0.3	0.9

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Operating income indicates revenue from operations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

²NOI as per committed occupancy

Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on May 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
								Jul 27, 2023
1	Fund-based – Term loan	Long term	700.0	625.1	[ICRA]A (Stable)	-	-	-
2	Fund-based – Unallocated	Long term	175.0	--	[ICRA]A (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Unallocated	NA

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	FY2024	NA	FY2039	700.0	[ICRA]A (Stable)
NA	Unallocated	NA	NA	NA	175.0	[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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