

August 04, 2023

Mikado Realtors Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based - Term loan	1,270.00	1,270.00	[ICRA]BBB+ (Stable); reaffirmed
Total	1,270.00	1,270.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in the attractive location of MRPL's project under development – Intellion IT Park, Gurgaon and the receipt of occupancy certificate (OC) for Phase 1A having leasable area of around 1 million square feet (msf). Moreover, the funding tie-up and statutory approvals for the construction of phase 1B having leasable area of around 1 msf, are in place. The rating reaffirmation continues to factor in the strong parentage of Mikado Realtors Private Limited (MRPL) by virtue of being a part of the Tata Group (Group), which provides high financial flexibility. MRPL is jointly held by Tata Realty and Infrastructure Limited (TRIL, rated [ICRA]AA+ (Stable)/[ICRA]A1+¹), holding 74% stake and Actis Treit Holdings No. 2 (Singapore) Private Limited [formerly known as Standard Chartered Real Estate Investment (Singapore) VII Pvt. Ltd.], holding 26% stake. TRIL is a 100% subsidiary of Tata Sons Private Limited (rated [ICRA]AAA (Stable)/[ICRA]A1+²) and operates as a holding company for the Group's real estate and infrastructure special purpose vehicles (SPVs). MRPL's shareholders have demonstrated their support to MRPL in the past by infusing funds in the form of Non-Convertible Debentures (NCDs), which are subordinated to the bank debt. ICRA believes TRIL will continue to extend funding support to MRPL in case of any funding shortfall given MRPL's strategic importance.

The rating is, however, constrained by the high market risk as the leasing for the project has been impacted due to low demand for leasing in Special Economic Zones (SEZs). As of June 2023, ~10% of the total leasable area of Phase 1A was leased. The project faces stiff competition from many upcoming/operational commercial projects in the vicinity. MRPL is in discussion with prospective tenants for leasing over the near-term. The rating is also constrained by the high project leverage and the refinancing risk arising from the bullet repayment structure of the construction finance (CF) loans. The repayment for CF loan of Rs. 720 crore availed for phase 1A is due in FY2024 while the repayment of CF loan for phase 1B will be due in FY2026. ICRA notes that MRPL is in advanced discussion with multiple lenders for refinancing the upcoming bullet repayment for CF loan of Phase 1A. The high financial flexibility and refinancing ability of the sponsor group provide comfort. The rating also considers the exposure to residual execution risk for Phase 1B.

The Stable outlook on the rating reflects ICRA's opinion that MRPL will benefit from the sponsor group's track record and its high financial flexibility and expected funding support from TRIL to meet any shortfalls.

Key rating drivers and their description

Credit strengths

Strong parentage, with sponsor support from TRIL – MRPL is an SPV promoted by TRIL, which is a 100% subsidiary of TSPL (rated [ICRA]AAA (Stable)/[ICRA]A1+) and operates as a holding company for the Group's real estate and infrastructure SPVs. TSPL is a diversified and reputed Indian conglomerate having interests in diverse businesses such as steel, real estate, consumer

¹ Link to TRIL rationale: <https://www.icra.in/Rationale/ShowRationaleReport?Id=114393>

² Link to Tata Sons Private Limited rationale: <https://www.icra.in/Rationale/ShowRationaleReport?Id=117882>

products, industrial engineering, information technology, energy, chemicals etc. TRIL has executed a sponsor support agreement for the construction finance loans. MRPL's shareholders have demonstrated their support to MRPL in the past by infusing funds in the form of Non-Convertible Debentures (NCDs), which are subordinated to the bank debt. ICRA believes TRIL will continue to extend funding support to MRPL in case of any funding shortfall given MRPL's strategic importance.

Attractive location of the property in terms of development potential and connectivity – The project is located in IT Special Economic Zone (Sector 58) of Gurgaon city which is near the Golf Course Road. It is ~2 km from Sector 55-56 Rapid Metro Station and has good connectivity by road to all the major micro-markets of Gurgaon. The location remains attractive mainly due to the well-developed social and physical infrastructure facilities, and easy connectivity to other parts of the city.

Funding tie-up in place and low approval risk for Phase 1B – The rating factors in the funding tie-up and presence of statutory approvals for the construction of Phase 1B, having leasable area of around 1 msf. Further, the OC for both towers of Phase 1A has been received. With 100% availability of land and all approvals being in place for the construction of Phase 1B, ICRA expects the project to be completed on time.

Credit challenges

High market risk – Notwithstanding TRIL's brand strength, the leasing for the project has been impacted due to low demand for leasing in Special Economic Zones (SEZs). As of June 2023, ~10% of the total leasable area of Phase 1A was leased. The project faces stiff competition from many upcoming/operational commercial projects in the vicinity. MRPL is in discussion with prospective tenants for leasing over the near-term.

Exposure to refinancing risk – The leverage for the project remains high. The total project cost of phase 1 is being funded in a debt to equity mix of ~75:25. Moreover, the CF loan availed for the project has bullet repayment structure at the end of the tenure which exposes the company to refinancing risk. The repayment of CF loan availed for phase 1A is due in FY2024 while that for phase 1B will be due in FY2026. ICRA notes that MRPL is in advanced discussion with multiple lenders for refinancing the upcoming bullet repayment for CF loan of Phase 1A. The high financial flexibility and refinancing ability of the sponsor group provide comfort.

Liquidity position: Adequate

MRPL's liquidity position remains adequate with the availability of undrawn CF loan towards the balance cost of Phase 1B. MRPL is in advanced discussion with multiple lenders for refinancing the upcoming bullet repayment for CF loan of Phase 1A falling due in FY2024. The repayment for CF loan of Phase 1B (sanctioned amount of Rs. 550 crore) will fall due in FY2026. ICRA draws comfort from the financial flexibility and refinancing ability of the sponsor group, and demonstration of funding support through NCDs.

Rating sensitivities

Positive factors – The rating may be upgraded in case of significant improvement in occupancy at adequate rates for both the phases – 1A and 1B.

Negative factors – The rating may be downgraded in case of lack of timely support from the sponsors and inability to improve occupancy and/or any significant cost and time overrun for Phase 1B may also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Parent Company: Tata Realty and Infrastructure Limited (TRIL) The rating factors in the likelihood of MRPL's parent extending financial support to MRPL given their financial linkages and MRPL's strategic importance and the parent's need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

About the company

MRPL is an SPV promoted by TRIL holding 74.0% stake and Actis Treit Holdings No.2 (Singapore) Private Limited [formerly known as Standard Chartered Real Estate Investment (Singapore) VII Pvt. Ltd.] holding 26.0%, which is developing a commercial real estate project 'Intellion Park' in Gurgaon, Haryana. The project is spread across 25.25 acres of land and is planned to be constructed in two phases, of which the company is currently undertaking construction of Phase 1 (both 1A and 1B). The first phase includes construction of basement, podium, parking stack and office complex (four towers – two towers in 1A and two towers 1B) with total leasable area of 2 million sqft. The OC has been received for Phase 1A.

Key financial indicators

Standalone	FY2022 (audited)	FY2023 (provisional)
Operating income	0.7	6.0
PAT	-22.3	-73.3
OPBDIT/OI	-909.2%	-151.2%
PAT/OI	-3020.6%	-1219.2%
Total outside liabilities/Tangible net worth (times)	48.3	-31.6
Total debt/OPBDIT (times)	-114.9	-100.2
Interest coverage (times)	-0.6	-0.2

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

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 Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				August 04, 2023	June 29, 2022	April 23, 2021	Jan 29, 2021	
1	Term Loan	Long Term	1,270.00	786.42	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
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	Oct 2017	NA	Sep 2023	360.0	[ICRA]BBB+ (Stable)
NA	Term loan	Dec 2017	NA	Mar 2024	360.0	[ICRA]BBB+ (Stable)
NA	Term loan	Jan 2021	NA	Jan 2026	275.0	[ICRA]BBB+ (Stable)
NA	Term loan	Jan 2021	NA	Nov 2025	275.0	[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

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4547 4829
anupama.reddy@icraindia.com

Tushar Bharambe
+91 22 6169 3347
tushar.bharambe@icraindia.com

Chintan Chheda
+91 22 6169 3363
chintan.chheda@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

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.