August 31, 2023

TCG Urban Infrastructure Holdings Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	347.00	557.00	[ICRA]BBB (Stable); reaffirmed/assigned
Total	**347.00**	**557.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation takes into account the established track record of developing and leasing commercial real estate assets of TCG Urban Infrastructure Holdings Private Limited (TCGUIH, holding company for real estate activities of The Chatterjee Group – TCG), along with its subsidiaries[1] (referred to as TCGUIH/Group). The rating notes the favourable location of its completed commercial office properties and reputed tenant profile, which includes consulates, banking, financial services and insurance (BFSI), information technology (IT)/IT-enabled services and petrochemical companies. The rating factors in the adequate liquidity and the healthy leverage with net debt/net operating income (NOI) at around 5 times as of March 2023. The same is expected to be around 4 times of March 2024. Further, a debt service reserve account (DSRA) equivalent to one to two quarters of principal and interest (P+I) repayments for most of the lease rental discounting (LRD) facilities, along with escrow structure, provides additional comfort.

The rating is, however, constrained by moderate occupancy levels with the average consolidated occupancy at 72% as of March 2023 and modest debt coverage metrics with DSCR of around 1 times in FY2024. However, TCGUIH has adequate free cash balances and liquid investments as of July 2023, which would be sufficient to meet any funding shortfall over the medium term. TCGUIH has availed Rs. 525 crore of LRD facility, which is primarily to refinance a part of the existing facilities, repayment of Loan Against Property (LAP) and term loans (in TCGUIH Group) and the remaining to maintain liquidity. It has made significant investments in various projects developed in subsidiaries (other than entities, which have been consolidated) to the tune of around Rs. 315 crore as of March 2023. Any significant incremental investments in Group companies (other than the support factored in towards entities which are consolidated) adversely impacting the liquidity position will be a key monitorable. Moreover, the company's cash flows are susceptible to volatility in occupancy levels or rent rates. The Group is exposed to vacancy risk as around 40% of the leased area will be due for expiry over the next two years. TCGUIH remains exposed to interest rate risk, which will have an impact on its debt coverage metrics.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that TCGUIH will be supported by its established track record in the commercial real estate segment, the favourable location of its properties and reputed tenant profile.

[1] ICRA has considered the financials of TCG Urban Infrastructure Holdings Private Limited (TCGUIH) along with its subsidiaries namely Bengal Intelligent Parks Private Limited (BIPL), BIP Developers Private Limited (BIPD), International Biotech Park Limited (IBPL), Altius Management Advisors Private Limited (AMAPL) and TCG Facilities Management Services Private Limited (TCGFMS)

Key rating drivers and their description

Credit strengths

Established track record of TCGUIH in commercial real estate sector – TCG was founded by Dr. Purnendu Chatterjee in 1989. It has diversified interests, mainly in petrochemicals (Haldia Petrochemicals Limited, rated [ICRA]AA- (Stable)/A1+ (September 2022)), life sciences and healthcare (TCG Lifesciences Pvt Ltd, rated [ICRA]A (Stable)/A1 (March 2023)), real estate, outsourcing and technology services. It is present in the US, Europe and South Asia. It serves as the holding company for the real estate activities of the TCG Group. TCGUIH, along with its subsidiaries, has a vast track record of developing assets and putting them on lease, having completed eight projects spanning 4.2 million square feet (msf), spread over six cities.

Favourable location of properties and reputed tenant profile – The location of its completed commercial office properties is favourable. It has a reputed tenant profile, which includes consulates, BFSI, IT/IT-enabled services and petrochemical companies.

Healthy leverage and adequate liquidity – The company's leverage is healthy with net debt/NOI at around 5 times as of March 2023. The same is expected to be around 4 times as of March 2024. Further, a DSRA equivalent to one to two quarters of principal and interest (P+I) repayments for most of the LRD facilities, along with escrow structure, provides additional comfort.

Credit challenges

Moderate occupancy levels and modest debt coverage metrics – The average consolidated occupancy stood at 72% as of March 2023, with modest debt coverage metrics as depicted by DSCR of around 1 times in FY2024. However, TCGUIH has adequate free cash balances and liquid investments as of July 2023, which would be sufficient to meet any funding shortfall over the medium term. ICRA notes that TCGUIH has availed Rs. 525 crore of LRD facility, which is primarily to refinance a part of the existing facilities, repayment of LAP and term loans (in TCGUIH Group) and the remaining to maintain liquidity.

Significant investments extended to Group companies other than entities consolidated – Significant investments have been made in various projects developed in subsidiaries (other than entities, which have been consolidated) to the tune of around Rs. 315 crore as of March 2023. Any considerable incremental investments in Group companies (other than the support factored in towards entities which are consolidated) adversely impacting the liquidity position will be a key monitorable.

Exposure to variation in occupancy levels and interest rates – The company's cash flows are susceptible to volatility in occupancy levels or rent rates. Moreover, the Group exposed to vacancy risk as around 40% of the leased area will be due for expiry over the next two years. TCGUIH remains exposed to interest rate risk, which will have an impact on its debt coverage metrics.

Liquidity position: Adequate

The liquidity profile is supported by adequate unencumbered cash and liquid investments as of July 2023. The debt repayment obligations are expected to be met from its cash flows from operations and available cash balances. Further, DSRA of Rs. 24 crore of around one to two quarters of principal and interest (P+I) is maintained for most of the LRD facilities. There are no major capex plans in FY2024.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant increase in occupancy at adequate rentals resulting in an increase in coverage metrics and liquidity position on a sustained basis. The specific credit metric for an upgrade would be 5-year average DSCR of more than 1.25 times.

Negative factors – Negative pressure on the rating could arise if the company is unable to improve occupancy at adequate rental rates leading to pressure on the leverage and debt coverage metrics. Any increase in the debt level or significant support to Group[2] companies adversely impacting the liquidity profile could exert pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Rating Methodology - Lease Rental Discounting](#)
Parent/Group support	Not Applicable
Consolidation/Standalone*	For arriving at the rating, ICRA has considered financials of TCG Urban Infrastructure Holdings Private Limited (TCGUIH), along with its subsidiaries namely Bengal Intelligent Parks Private Limited (BIPL), BIP Developers Private Limited (BIPD), International Biotech Park Limited (IBPL), Altius Management Advisors Private Limited (AMAPL) and TCG Facilities Management Services Private Limited (TCGFMS) based on managerial linkages and strategic importance of subsidiaries to TCGUIH. Further, TCGUIH has extended corporate guarantees for debt availed by these subsidiaries.

** Details are provided in Annexure II*

About the company

TCGUIH, a part of The Chatterjee Group (TCG), is a commercial real estate development company focused on construction of IT parks, laboratory spaces and city-centric office spaces in India. Over the past two decades, it has, through various special purpose vehicles (SPVs), developed eight projects spanning 4.2 msf across six cities. Among these projects, TCG Financial Centre (TCG FC) in the Bandra Kurla Complex, Mumbai, and First India Place (FIP) in Gurgaon are held directly under TCGUIH with a total leasable area of 0.2 msf. BSPL has been merged into TCGUIH (standalone), which receives service rent from First Technology Park (FTP) and Bengal Intelligent Park (BIP). The assets under BIPL, AMAPL, BIPD, IBPL are diversified across Kolkata, Bangalore and Pune, with a total leasable area of around 2.1 msf. TCGFMS primarily caters to the maintenance of three assets (TCGFC, FIP, BIPL) from which it derives CAM income.

Key financial indicators

TCGUIH (Consolidated)	FY2021	FY2022	FY2023*
Operating income (Rs. crore)	176	174.6	167.5
PAT (Rs. crore)	38.4	51.9	40.1
OPBDIT/OI (%)	72.9%	67.6%	59.4%
PAT/OI (%)	21.8%	29.7%	24.0%
Total outside liabilities/Tangible net worth (times)	2.2	2.2	2.2
Total debt/OPBDIT (times)	5.6	6.9	9.2
Interest coverage (times)	1.9	1.8	1.2

Source: Company and ICRA Research; PAT: Profit After Tax, OPBDIT: Operating Profit Before Depreciation, Interest and Tax, OI: Operating Income,
**Provisional financials, Consolidation done by ICRA, the above numbers may not be comparable with TCGUIH's reported financials.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[2] *Other than the entities which are consolidated*

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 June 30, 2023 (Rs. crore)	Date & Rating	Date & Rating	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				Aug 31, 2023	June 30, 2023	May 05, 2023	Feb 18, 2022	Dec 28, 2020	Feb 17, 2020
Term loan	Long-term	557.00	315.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[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: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loans**	FY2018-FY2024	-	FY2038-FY2039	557.00	[ICRA]BBB (Stable)

Source: Company data

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
TCGUIH (Standalone)	100% (rated entity)	Full Consolidation
Bengal Intelligent Parks Private Limited	100%	Full Consolidation
BIP Developers Private Limited	100%	Full Consolidation
Altius Management Advisors Private Limited	100%	Full Consolidation
International Biotech Park Limited	87.93%	Full Consolidation
TCG Facilities Management Services Private Limited	100%	Full Consolidation

ANALYST CONTACTS

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

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

Neha Mittal
+91 124 4545 365
neha.mittal@icraindia.com

Mididoddi Vineeth
+91 80 4332 6408
mididoddi.vineeth@icraindia.com

RELATIONSHIP CONTACT

L Shiva Kumar
+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