

December 22, 2023

## CtrlS (India) 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 loans	170.00	170.00	[ICRA]A- (Stable); reaffirmed
Non-fund based facilities	1.00	1.00	[ICRA]A- (Stable); reaffirmed
Unallocated limits	0.00	200.00	[ICRA]A- (Stable); assigned
<b>Total</b>	<b>171.00</b>	<b>371.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for CtrlS (India) Private Limited (CIPL) factors in the stable stream of cash flows as the entire operational area (DC III, DC IV and DC V) is leased to a strong counterparty CtrlS Datacenters Limited (CtrlS, group company rated at [ICRA]AA- (Stable)/A1+). The rent income for data centre (DC) III and DC IV commenced in a phased manner during September 2021 to March 2022 and the rent for DC V commenced from May 2023. Post-handover of the building, CtrlS has invested in CIPL's facility by funding the mechanical, electrical and plumbing (MEP) related capex and the operations are managed by CtrlS. The rating notes the long operational track record of the CtrlS Group in DC business. At present, the Group operates nine tier-IV DCs at four locations in India under the Group's flagship company, CtrlS Datacenters Limited.

The rating, however, remains constrained by the large debt-funded capex plans over the next 12-18 months. At present, CIPL is undertaking capex towards construction of the DC buildings VI and VII at a total cost of around Rs. 180 crore, which is expected to be funded through debt of Rs. 150 crore and the balance through internal accruals/promoters' contribution. The works for DC VI and DC VII are in the nascent stages of execution, resulting in exposure to project execution risk. Further, the debt for the expansion is yet to be tied up exposing it to funding risk. The timely delivery of the ongoing capex remains the key monitorable. The debt coverage ratios are vulnerable to decline in rental rates or change in interest rates.

The Stable outlook on the long-term rating reflects ICRA's belief that the company would benefit from its strong counterparty and stable stream of cash flows.

### Key rating drivers and their description

#### Credit strengths

**Long operational track record of Group** – The company will benefit from the Group's long operational track record in the DC business. At present, the Group operates nine tier-IV DCs at four locations in India under the Group's flagship company, CtrlS Datacenters Limited.

**Strong counterparty, entire space to be leased out to group company, CtrlS Datacenters** – CIPL has handed over all the three DCs to CtrlS Datacenters, the rentals for which started in a phased manner. The buildings have been leased to a group company, CtrlS. The strong counterparty, which has taken the entire leasable area, resulted in stable stream of cash flows for CIPL. Post-handover of the building, CtrlS has also invested in CIPL's facility by funding the MEP-related capex. The operations are managed by CtrlS.

## Credit challenges

**Large capex plans in pipeline** – At present, CIPL is undertaking capex towards construction of buildings DC VI and DC VII, at a total cost of Rs. 180 crore, which is expected to be funded through debt of Rs. 150 crore and the balance through internal accruals/promoters' contribution. The project is in the initial stages of execution, resulting in exposure to project execution risk. The debt for expansion is yet to be tied up exposing to funding risk. The timely delivery of the ongoing capex remains key monitorable.

**Debt coverage metrics exposed to changes in interest rate** – CIPL's coverage metrics remain exposed to any decline in rentals or changes in interest rates.

## Liquidity position: Adequate

The company's liquidity position is adequate. It has debt repayment obligation of Rs. 28.1 crore in FY2024 and Rs. 47.6 crore in FY2025, which can be comfortably serviced through the estimated cash flow from operations. At present, CIPL is undertaking capex towards construction of the DC buildings VI and VII at a total cost of around Rs. 180 crore, which is expected to be funded through debt of Rs. 150 crore and the balance through internal accruals/promoters' contribution.

## Rating sensitivities

**Positive factors** – ICRA could upgrade CIPL's rating if there is a significant increase in rentals, while maintaining healthy debt coverage and leverage metrics. Specific credit metrics that could lead to an upgrade include five-year 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 rental inflows or increase in indebtedness, thereby impacting its debt protection metrics and liquidity position. Specific credit metrics that could lead to a downgrade include five-year average DSCR below 1.2 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Lease Rental Discounting (LRD)</a>
Parent/Group support	Not applicable
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 data centre facilities and giving it on lease basis to CtrlS Datacenters Limited, the group company. Till date, the company has built three DCs (Mumbai DC III, III NX, IV and V buildings) at TTC, Mahape in Thane, Maharashtra, which is adjacent to the Group's already existing DC. The company is undertaking capex for DC buildings VI and VII, at a total estimated cost of Rs. 180 crore, which is expected to be completed by the end of FY2025.

## Key financial indicators (audited)

	FY2022	FY2023
Operating income	2.1	27.8
PAT	0.2	-11.7
OPBDIT/OI	98.8%	97.5%
PAT/OI	9.6%	-41.9%
Total outside liabilities/Tangible net worth (times)	47634.7	-36.1
Total debt/OPBDIT (times)	136.9	10.6
Interest coverage (times)	3.3	0.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Source: Company; ICRA Research

## 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 March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Dec 22, 2023	Sep 28, 2022	Jun 11, 2021	Sep 22, 2020
1 Term loans	Long term	170.0	123.02	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)
2 Non-fund based facilities	Long-term	1.0	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB+(Stable)
3 Unallocated limits	Long-term	200.0	-	[ICRA]A-(Stable)	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Non-fund based facilities	Very Simple
Unallocated limits	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 loans	Jan 2020	NA	Aug 2029	170.00	[ICRA]A- (Stable)
NA	Non-fund based facilities	NA	NA	NA	1.00	[ICRA]A- (Stable)
NA	Unallocated limits	NA	NA	NA	200.00	[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

## ANALYST CONTACTS

**Rajeshwar Burla**  
+91 40 4547 4829  
[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Anupama Reddy**  
+91 40 4547 4829  
[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**Abhishek Lahoti**  
+91 40 4547 4829  
[abhishek.lahoti@icraindia.com](mailto:abhishek.lahoti@icraindia.com)

**Prateek Agarwal**  
+91 8013703303  
[prateek.agarwal@icraindia.com](mailto:prateek.agarwal@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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