April 10, 2024

Radial IT Park Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term loan	1165.0	1164.6	[ICRA]A- (Stable), reaffirmed
Sub-limit – Non-fund based facilities	0.0	(100.0)	[ICRA]A- (Stable), reaffirmed
Unallocated limits	5.0	0.0	-
Total	**1170.0**	**1164.6**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Radial IT Park Private Limited (RIPPL) favourably factors in the receipt of occupancy certificate (OC) for Phase 1A (1.3 million square feet (msf)) of the project in August 2023, well ahead of the scheduled date of commencement of commercial operations (DCCO) of December 2024. Further, backed by healthy leasing pipeline, the occupancy levels of Phase 1A is expected to ramp up to 75-80% by the end of FY2025 from 28% as of December 2023. The rating notes the presence of strong promoter groups, where 50% stake is held each by CapitaLand Group and Mitsubishi Estate Co Ltd (MECL)[1], which lends exceptional financial flexibility. CapitaLand Group, a Temasek Holdings (Private) Limited linked entity, has an established execution track record in the office leasing segment and has developed around 27 msf of commercial space across six cities in India. MECL is one of Japan's major diversified real estate companies and has a strong operational track record in commercial real estate business. The rating considers the project's favourable location along Pallavaram-Thoraipakkam Road (PTR), which is witnessing a steady rise in the commercial and residential developments. It enjoys good connectivity with competitive rentals making it an upcoming growth vector for IT companies in the city and enhancing the marketability of the project.

The rating, however, is constrained by RIPPL's exposure to project execution risk in Phase 1B (1.3 msf) of the project, wherein 48% of the total construction cost as of January 2024 is yet to be incurred. Nevertheless, this risk is mitigated by the strong executional track record of the CapitaLand Group and the significant cushion in timelines for completion, wherein the scheduled DCCO of Phase 1B is in April 2027. Further, the funding is in place for the pending construction of Phase 1B. The occupancy of Phase 1A is at modest levels of 28% as of December 2023 and there is no pre-leasing in Phase 1B, exposing the company to market risk. Since the construction finance loans has a bullet repayment structure (Phase 1A loan in June 2025 and Phase 1B loan in September 2027), any delays or inadequate leasing may adversely impact its refinancing ability. However, these risks are mitigated by the Group's leasing track record, healthy leasing pipeline and exceptional financial flexibility.

The Stable outlook reflects ICRA's expectation that RIPPL's credit profile will continue to benefit from the favourable project location, healthy leasing pipeline for Phase 1A and the strong execution and leasing track record of its promoter group.

[1] *In FY2024, MECL has acquired 50% stake in RIPPL from CapitaLand Group*

Key rating drivers and their description

Credit strengths

Strong promotor groups with established track record lends financial flexibility – RIPPL is a part of a strong promoter groups with CapitaLand Group owning 50% and the remaining held by Mitsubishi Estate Co Ltd (MECL)[2]. CapitaLand Group, a Temasek Holdings (Private) Limited linked entity, has an established execution track record in the office leasing segment and has developed around 27 msf of commercial space across six cities in India. MECL is one of Japan's major diversified real estate companies with a strong operational track record in commercial real estate business. Further, the strong promoter profile lends exceptional financial flexibility to the company.

Favourable location of the project – The project, International Tech Park, is located along Pallavaram Thoraipakkam Road (PTR) and near other prominent arterial roads in the region such as Medavakkam Main Road, Velachery –Tambaram Road, GST Road, etc, and thus enjoys excellent connectivity to other parts of Chennai city. Further, PTR is witnessing a steady rise in commercial and residential development on the back of good connectivity and competitive rentals making it an upcoming growth vector for IT companies in the city and enhancing the marketability of the project.

OC received for phase 1A of the project well ahead of DCCO – RIPPL has received the occupancy certificate (OC) for Phase 1A (1.3 msf) of the project in August 2023, well ahead of the scheduled DCCO of December 2024. Further, backed by healthy leasing pipeline, the occupancy levels of Phase 1A is expected to ramp up to 75-80% by the end of FY2025 from 28% as of December 2023.

Credit challenges

Exposed to market risk and refinancing risk – The occupancy of Phase 1A is at modest levels of 28% as of December 2023 and there is no pre-leasing in Phase 1B, exposing the company to market risk. Since construction finance loans has a bullet repayment structure (Phase 1A loan in June 2025 and Phase 1B loan in September 2027), any delays or inadequate leasing may adversely impact its refinancing ability. However, these risks are mitigated by the Group's leasing track record, healthy leasing pipeline and exceptional financial flexibility.

Exposed to project execution risk in Phase 1B – The International Tech Park Chennai involves developing 1.3 msf of leasable office space each across Phase 1A and Phase 1B respectively. The company is exposed to moderate execution risk in Phase 1B (1.3 msf) of the project as 48% of the total construction cost as of January 2024 is yet to be incurred. Nevertheless, this risk is mitigated by the strong executional track record of the CapitaLand Group and the significant cushion in timelines for completion, wherein the scheduled DCCO of Phase 1B is in April 2027. Further, the funding is in place for the pending construction of Phase 1B.

Liquidity position: Adequate

The liquidity is adequate, supported by the presence of undrawn debt of around Rs. 419.6 crore as of January 2024 and cash balances of ~Rs. 16 crore as on December 31, 2023. While OC has been received for Phase 1A, the pending cost of the project will be funded by undrawn debt and equity contribution (around 68% of equity has been infused as of January 2024). The bullet repayments (in June 2025 for Phase 1A and September 2027 for Phase 1B) are likely to be comfortably refinanced to lease rental discounting (LRD) loan once the company achieves adequate leasing levels.

---

[2] *In FY2024, MECL has acquired 50% stake in RIPPL from CapitaLand Group*

Rating sensitivities

Positive factors – RIPPL's rating might be upgraded if there is a significant increase in occupancy at adequate rental rates resulting in strong debt protection metrics. Specific credit metric that could lead to a rating upgrade is occupancy of greater than 85% for combined Phase 1A and Phase 1B.

Negative factors – Downward pressure on the rating could emerge if a significant delay in construction progress in Phase 1B, or inability to achieve adequate leasing at adequate rental rates, impacting the company's ability to timely refinance the construction finance loan.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Realty - Lease Rental Discounting (LRD)]
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2017, RIPPL is a partly owned by the CapitaLand Group (50% share) and Mitsubishi Estate Co Ltd (MECL, holding the remaining share). At present, it is developing a commercial IT business park - The International Tech Park, Radial Road, Pallavaram, Chennai. The business park is spread across a land area of 12.72 acre with a total proposed leasable area of 2.6 msf. The total project cost is likely to be Rs. 1,817.5 crore (including Phase 1A and Phase 1B), which is funded by a debt-to-equity ratio of 64%:36%. The company has received occupancy certificate for Phase 1A in August 2023, the construction of Phase 1B is in progress and the scheduled DCCO of Phase 1B is April 2027.

Key financial indicators

Not applicable being 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 (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					April 10, 2024	April 5, 2023	Jan 18, 2023	-
1	**Term loans**	Long-term	1164.6	705.0	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-	-
2	**Sub-limit – Non-fund based facilities**	Long-term	(100.0)	-	[ICRA]A-(Stable)	-	-	-
3	**Unallocated limits**	Long-term	-	-	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	-

4	**Proposed term loan**	Long-term	-	-	-	-	[ICRA]A- (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term loan	Simple
Sub-limit – Non-fund based facilities	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 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 – 1	FY2023	-	FY2026	1164.60	[ICRA]A- (Stable)
NA	Term loan – 2	FY2023		FY2028		
NA	Sub-limit – Non-fund based facilities	-	-	-	(100.0)	[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

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Abhishek Lahoti
+91 40 6939 6433
abhishek.lahoti@icraindia.com

Vishal R
+91 80 4332 6419
vishal.r@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