June 11, 2024

TCG Urban Infrastructure Holdings 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	557.00	557.00	[ICRA]BBB (Stable); reaffirmed
Total	**557.00**	**557.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in 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 takes into account the comfortable leverage with consolidated External Debt/Net operating income (NOI) at 4.9 times as of March 2024 (estimated to remain in the range of 4.5-4.7 times as of March 2025) and adequate liquidity. 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. Most of the lease rental discounting (LRD) facilities have a debt service reserve account (DSRA) equivalent to one to two quarters of principal and interest (P+I) repayments.

The rating is, however, constrained by the moderate occupancy levels with average consolidated occupancy at 72% as of March 2024 and modest expected debt coverage metrics with 5-year average DSCR in the range of 1.05-1.10 times during FY2025-FY2029. However, TCGUIH has adequate free cash balances and liquid investments as of March 2024, which would be sufficient to meet any funding shortfall over the medium term. 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 30% of the leased area will be due for expiry in FY2025 and FY2026. TCGUIH remains exposed to interest rate risk, which may have an impact on its debt coverage metrics. The company also faces execution and market risk for its ongoing commercial project undertaken by its subsidiary, Energetic Construction Private Limited (ECPL), which is currently in the nascent stage with 72% of cost to be incurred as of March 2024 and no pre-leasing achieved as on date. ECPL also faces refinancing risk for the construction finance (CF) debt availed, which is to be repaid in four quarterly instalments commencing from March 2029, with the last instalment being 99% of the total sanctioned facility in December 2029. While there is an adequate time available for project completion and leasing with the scheduled date of commencement of commercial operations (DCCO) being January 01, 2028, any delays in project completion or inadequate leasing may adversely impact ECPL's refinancing ability. The company faces execution, market, and funding risks for the residential project under its subsidiary International Biotech Park Limited (IBPL), which is currently in the nascent stage. Nonetheless, the strong execution and leasing track record of the TCG Group partly mitigate the execution and market risks. The company has made investments in various projects developed in subsidiaries (other than entities, which have been consolidated) and extended loans and advances to the tune of Rs. 62.4 and Rs. 113.6 crore as of March 2024 respectively. 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.

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[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), TCG Facilities Management Services Private Limited (TCGFMS) and Energetic Construction Private Limited (ECPL)

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that TCGUIH will be supported by the favourable location of its properties, enabling it to ramp-up its overall leasing, while maintaining comfortable leverage indicators.

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- (Negative)/A1+ (February 2024)), life sciences and healthcare (TCG Lifesciences Pvt Ltd, rated [ICRA]A (Negative)/A1 (April 2024)), 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 commercial office properties are favourable, with reputed tenant profile, which includes consulates, BFSI, IT/IT-enabled services and petrochemical companies.

Comfortable leverage and adequate liquidity – The company's leverage is comfortable with consolidated External Debt/NOI at 4.9 times as of March 2024. The same is expected to be in the range of 4.5-4.7 times as of March 2025. Its liquidity profile is supported by adequate unencumbered cash and liquid investments 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 company's consolidated occupancy for its operational assets stood at 72% as of March 2024. The debt coverage metrics remain modest with 5-year estimated DSCR in the range of 1.05-1.10 times during FY2025-FY2029. However, TCGUIH has adequate free cash balances and liquid investments as of March 2024, which would be sufficient to meet any funding shortfall over the medium term. Its cash flows are susceptible to volatility in occupancy levels or rent rates. Moreover, the Group is exposed to vacancy risk as around 30% of the leased area will be due for expiry in FY2025 and FY2026. TCGUIH remains exposed to interest rate risk, which can have an impact on its debt coverage metrics.

Exposure to execution and market risks for ongoing projects; exposure to refinancing risk for CF debt availed for ongoing commercial project – The company faces execution and market risks for the ongoing commercial project undertaken by its subsidiary, ECPL, which is currently in the nascent stage with 72% of cost to be incurred as of March 2024 and no pre-leasing achieved as on date. ECPL faces refinancing risk for the CF debt availed, which is to be repaid in four quarterly instalments commencing from March 2029, with the last instalment being 99% of total sanctioned facility in December 2029. While there is an adequate time available for project completion and leasing with the DCCO being January 01, 2028, any delays in project completion or inadequate leasing may adversely impact the company's refinancing ability. The company also faces execution, market, and funding risks for the residential project under its subsidiary, IBPL which is currently in the nascent stage. Nonetheless, the strong execution and leasing track record of the TCG Group partly mitigate the execution and market risk.

Significant investments extended to Group companies other than entities consolidated – The company has made investments in various projects developed in subsidiaries (other than entities, which have been consolidated) and extended loans and advances to the tune of Rs. 62.4 and Rs. 113.6 crore as of March 2024, respectively. 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.

Liquidity position: Adequate

The liquidity profile is supported by adequate unencumbered cash and liquid investments as of March 2024. The debt repayment obligations are expected to be met from its cash flows from operations. Further, DSRA of around one to two quarters of principal and interest (P+I) is maintained for most of the LRD facilities. The pending project cost of Rs. 873.1 crore as of March 2024 for ECPL is likely to be funded by Rs. 714 crore of undrawn bank limits and equity commitments of Rs. 159.1 crore.

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 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 Realty - Lease Rental Discounting (LRD) Realty - Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, 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), TCG Facilities Management Services Private Limited (TCGFMS) and Energetic Construction Private Limited (ECPL) based on managerial linkages and strategic importance of subsidiaries to TCGUIH. Further, TCGUIH has extended corporate guarantees for debt availed by these subsidiaries.

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. ECPL, 89.62% held by TCGUIH, is developing a mixed-use project comprising commercial office and high street retail space branded as World Trade Centre with a total leasable area of 1 msf. The project has a scheduled DCCO of January 01, 2028.

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

Key financial indicators (audited)

TCGUIH (Consolidated)	FY2022	FY2023	FY2024*
Operating income	174.6	165.1	193.1
PAT	4.4	-30.6	29.5
OPBDIT/OI	63.8%	48.3%	52.0%
PAT/OI	2.5%	-18.6%	15.3%
Total outside liabilities/Tangible net worth (times)	1.9	2.1	2.2
Total debt/OPBDIT (times)	11.1	17.1	14.9
Interest coverage (times)	1.0	0.6	1.1

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

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 Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024			Date & rating in FY2022	Date & rating in FY2021
				June 11, 2024	Aug 31, 2023	June 30, 2023	May 05, 2023	Feb 18, 2022	Dec 28, 2020
1 Term loan	Long-term	557.00	381.7	[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
Long-term fund-based – 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 loans**	FY2018-FY2024	-	FY2038-FY2039	557.00	[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

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
Energetic Construction Private Limited	89.62%	Full Consolidation

Source: Company; ICRA Research

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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.

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