August 02, 2024

Mikado Realtors Private Limited: Rating upgraded to [ICRA]A (Stable)

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	1,250.00	[ICRA]A (Stable); Upgraded from [ICRA]BBB+ (Stable)
Long-term – Overdraft^	0.00	(25.00)	[ICRA]A (Stable); Upgraded from [ICRA]BBB+ (Stable)
Long-term – Non-fund based – Letter of Credit^	0.00	(15.00)	[ICRA]A (Stable); Upgraded from [ICRA]BBB+ (Stable)
Long-term – Non-fund based – Bank guarantee#	0.00	(70.00)	[ICRA]A (Stable); Upgraded from [ICRA]BBB+ (Stable)
Total	**1,270.00**	**1,250.00**	

**Instrument details are provided in Annexure-I; ^ sub-limit of term loan of Rs. 500 crore from DBS Bank; # Rs. 40 crore is sub-limit of term loan of Rs. 500 crore from DBS Bank and Rs. 30 crore is sub-limit of term loan from ICICI Bank*

Rationale

The rating upgrade for Mikado Realtors Private Limited (MRPL) factors in the healthy leasing progress achieved for Phase 1A following the recent changes in Special Economic Zone (SEZ) regulations, thereby paving way for denotification of SEZ spaces and providing greater visibility for future cash flows. The company is expected to get its tower 2 in Phase 1A denotified shortly and has tied-up leases for incremental area of 0.67 msf (including LOI for 0.59 msf) of Phase 1A. Consequently, the overall lease tie-ups increased to 76% of the total 1 msf leasable area of Phase 1A as of June 2024 (9% as of March 2023). Additionally, the company has entered into a LOI for 0.13 msf and a hard option for 0.22 msf of area in Phase 1B (accounting for 35% of its total leasable area). The rating notes in the attractive location of MRPL's project under development – Intellion IT Park, Gurgaon. 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 draws comfort from the strong parentage of 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]), which has 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 track record of extending funding support to MRPL in the past by infusing funds. ICRA believes TRIL will continue to extend funding support to MRPL in case of any funding shortfall, given MRPL's strategic importance for TRIL.

The rating is, however, constrained by the residual market risk for the vacant area in Phase 1A and Phase 1B. The rating is also constrained by the high project leverage and the refinancing risk arising from the bullet repayment structure of the term loan for Phase 1A and construction finance (CF) loan for Phase 1B. The repayment for term loan of Rs. 720 crore availed for Phase 1A is due in FY2027, while the repayment of CF loan for Phase 1B will be due in FY2026. Given this, healthy leasing progress for the untied area and timely commencement of rentals for the tied-up area remains critical from the credit perspective. ICRA notes that the term loan for Phase 1A has a built-in option of conversion to LRD to the extent of leasing progress, which partially

[1] *Link to TRIL rationale: https://www.icra.in/Rating/RatingDetails?CompanyId=14839&CompanyName=Tata%20Realty%20and%20Infrastructure%20Limited*

[2] *Link to Tata Sons Private Limited rationale: https://www.icra.in/Rating/RatingDetails?CompanyId=24604&CompanyName=Tata%20Sons%20Private%20Limited*

mitigates the refinancing risk. 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. However, the risk is mitigated given the funding tie-up and presence of statutory approvals for the construction of Phase 1B.

The Stable outlook on the rating reflects ICRA's opinion that MRPL will be able to tie-up leases at adequate rentals for the vacant area in a timely manner, thereby enabling it to generate steady rental revenue. MRPL will continue to benefit from the sponsors' track record and its high financial flexibility and timely funding support to meet any shortfall.

Key rating drivers and their description

Credit strengths

Increase in lease tie-ups providing better visibility of cash flows – There has been a healthy leasing progress achieved for Phase 1A following the recent changes in Special Economic Zone (SEZ) regulations, thereby paving way for denotification of SEZ spaces and providing greater visibility for future cash flows. The company is expected to get its tower 2 in Phase 1A denotified shortly and has tied-up leases for incremental area of 0.67 msf (including LOI for 0.59 msf) of Phase 1A. Consequently, the overall lease tie-ups increased to 76% of the total 1 msf leasable area of Phase 1A as of June 2024 (9% as of March 2023). Additionally, the company has entered into a LOI for 0.13 msf and a hard option for 0.22 msf of area in Phase 1B (accounting for 35% of its total leasable area).

Attractive location of property in terms of development potential and connectivity – The project is located in Sector 58 of Gurgaon, 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 micromarkets 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.

Strong parentage, with sponsor support from TRIL – MRPL is an SPV jointly held 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 products, industrial engineering, information technology, energy, chemicals, etc. TRIL has executed a sponsor support agreement for the loans. MRPL's shareholders have a demonstrated track record of extending funding support to MRPL in the past by infusing funds. ICRA believes TRIL will continue to extend funding support to MRPL in case of any funding shortfall, given MRPL's strategic importance for TRIL.

Credit challenges

Exposure to refinancing risk – The leverage for the project remains high. The term loan for Phase 1A and CF loan for Phase 1B has bullet repayment structure at the end of the tenure, which exposes the company to refinancing risk. The repayment for term loan of Rs. 720 crore availed for Phase 1A is due in FY2027, while the repayment of CF loan for Phase 1B will be due in FY2026. ICRA notes that the term loan for Phase 1A has a built-in option of conversion to LRD to the extent of leasing progress. The high financial flexibility and refinancing ability of the sponsor group provide comfort.

Exposure to residual execution and market risks – Out of the total budgeted cost for Phase 1B, about 31% has been incurred till June 2024, exposing the company to residual execution risk for Phase 1B. However, the risk is mitigated given the funding tie-up and presence of statutory approvals for the construction of Phase 1B. As of June 2024, it is yet to tie-up the leasable of 24% of area of Phase 1A and 65% of area of Phase 1B (excluding LOI and hard option), which exposes it to market risk.

Liquidity position: Adequate

MRPL's liquidity position remains adequate with the availability of undrawn CF loan towards the balance cost of Phase 1B. The repayment for CF loan of Phase 1B (sanctioned amount of Rs. 500 crore) will fall due in FY2026, while the bullet repayment for the term loan for Phase 1A will fall due in FY2027. ICRA draws comfort from the financial flexibility, refinancing ability of the sponsor group and demonstrated funding support from the sponsor group in a timely manner. Moreover, the term loan has an in-built option of converting to LRD to the extent of leasing progress, which partly mitigates the refinancing risk.

Rating sensitivities

Positive factors – The rating could be upgraded in case of an improvement in occupancy to more than 90% in both phases at adequate rates, along with significant reduction in indebtedness resulting in a material improvement in debt protection metrics.

Negative factors – The rating may be downgraded in case of inability to tie-up leases for the balance area and/or delay in commencement of rentals. Further, the rating could be downgraded in case of weakening in linkages with the parent or deterioration in the credit profile of the parent.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting (LRD)
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, which holds 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. 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 a total leasable area of 2 msf. The OC has been received for Phase 1A.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	6.0	7.3
PAT	-73.3	-105.0
OPBDIT/OI	-151.2%	-149.2%
PAT/OI	-1219.2%	-1431.5%
Total outside liabilities/Tangible net worth (times)	-31.6	-8.6
Total debt/OPBDIT (times)	-100.2	-96.1
Interest coverage (times)	-0.2	-0.1

Source: Company, ICRA Research; 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)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				August 02, 2024	Aug 04, 2023	June 29, 2022	Apr 23, 2021
1	**Term loans**	Long term	1,250.00	**[ICRA]A (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**
2	**Overdraft^**	Long term	(25.00)	**[ICRA]A (Stable)**	-	-	-
3	**Non-fund based – Letter of credit^**	Long term	(15.00)	**[ICRA]A (Stable)**	-	-	-
4	**Non-fund based – Bank guarantee#**	Long term	(70.00)	**[ICRA]A (Stable)**	-	-	-

^ sub-limit of term loan of Rs. 500 crore from DBS Bank; # Rs. 40 crore is sub-limit of term loan of Rs. 500 crore from DBS Bank and Rs. 30 crore is sub-limit of term loan from ICICI Bank

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Overdraft	Simple
Long-term – Non-fund based – Letter of credit	Very Simple
Long-term – Non-fund based – Bank guarantee	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**	Oct 2023	NA	Oct 2026	720.0	[ICRA]A (Stable)
NA	**Term loan**	Jun 2024	NA	Nov 2025	500.0	[ICRA]A (Stable)
NA	**Term loan**	Jan 2021	NA	Nov 2025	30.0	[ICRA]A (Stable)
NA	**Overdraft^**	NA	NA	NA	(25.00)	[ICRA]A (Stable)
NA	**Non-fund based – Letter of credit^**	NA	NA	NA	(15.00)	[ICRA]A (Stable)
NA	**Non-fund based – Bank guarantee^**	NA	NA	NA	(40.00)	[ICRA]A (Stable)
NA	**Non-fund based – Bank guarantee#**	NA	NA	NA	(30.00)	[ICRA]A (Stable)

Source: Company; ^ sub-limit of term loan of Rs. 500 crore from DBS Bank; # sub-limit of term loan of Rs. 30 crore from ICICI Bank

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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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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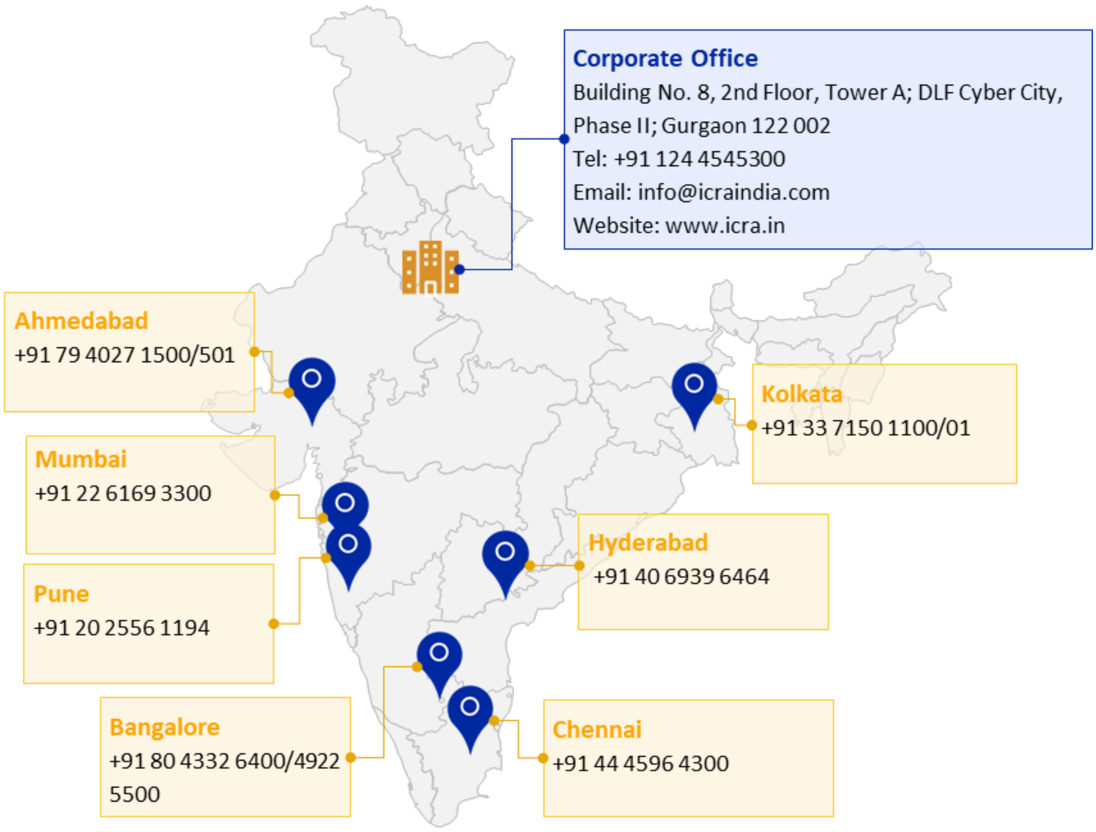

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