September 12, 2024 (Revised)

Tata Realty and Infrastructure Limited: Ratings reaffirmed; reaffirmed and Withdrawn for part NCDs

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture	1975.0	1975.0	[ICRA]AA+ (Stable); reaffirmed
Non-convertible Debenture	1025.0	0.0	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Commercial Paper	2,200.0	2,200.0	[ICRA]A1+; reaffirmed
Total	**5,200.0**	**4,175.0**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of ratings for Tata Realty and Infrastructure Limited (TRIL) continues to favourably factor in its diversified investment portfolio, which comprises a mix of real estate projects, including ~22.4 million square feet (msf) of commercial office space[1], 0.1 msf of retail, 0.13 msf of completed and unencumbered residential real estate inventory and infrastructure projects under the build-operate-transfer model in the road, metro and ropeway segments. The ratings consider the healthy cash cover for the operational projects and continue to derive comfort from TRIL's strong parentage - being a wholly-owned subsidiary of Tata Sons Private Ltd (TSPL, rated [ICRA]AAA(Stable)/ [ICRA]A1+). The strategic importance of TRIL for the Tata Group is reflected in the composition of the board of directors as well as financial support provided by TSPL by way of equity infusion in the past, infusing Rs. 5,370 crore till March 31, 2024, including Rs. 1,995 crore in FY2024. ICRA expects the demonstrated strategic, managerial and funding group support to TRIL to continue, going forward.

The rating strengths are partially offset by the equity commitment/support towards its portfolio of assets, which stood at Rs.725 crore as on March 31, 2024 (of this Rs.210 crore has already been infused till June 30, 2024). These are to be met over the next two years and the same will be funded through additional debt. Timely commissioning of under-construction projects, within their budgeted costs, would remain a key monitorable and any materially higher-than-expected debt-funded support to its investee companies would remain a rating sensitivity. The ratings take into account the inherent risks in implementation of the entity's first Metro project, scheduled for completion by March 2025 and the revenue risks, given the Design Build Finance Operate Transfer (DBFOT) mode of execution. ICRA notes the explicit support that TRIL has provided to the borrowing programme of some of the investee companies. Any deterioration in the credit profile of these investee companies could result in a crystallisation of the contingent liabilities and, thus, will remain a key monitorable. Further, the company is exposed to moderate refinancing risks, owing to a high proportion of medium-term debt, resulting in Rs. 1,395 crore of debt repayment obligations over the next 18 months. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a part of the Tata Group, which is also evident from the demonstrated track record of timely debt refinancing in the past at competitive rates.

ICRA notes that TRIL's debt (standalone) has increased to Rs. 2,270 crore as on March 31, 2024 from Rs. 1,525 crore as on March 31, 2023, following its investment in a new land parcel at Bangalore. Going forward, while the debt is further expected to increase due to company's investment plans, the same is expected to remain ~Rs 3,000 crore by March 31, 2025. TRIL has invested Rs. 3,493 crore over the last three years including Rs. 1,993 crore in FY2024 to acquire a further 56.98% stake in Tata

[1] Of this, ~7.5 msf is completed and the balance ~15.0 msf is under construction/planning stage as of March 2024.

Housing Development Company Ltd (THDCL), thereby increasing TRIL's stake in THDCL to 99.98%. The equity commitment for the Pune Metro project, which is entirely infused, was met by funding support from TSPL. THDCL's near-term debt obligations are estimated to be refinanced. Thus, going forward, ICRA, in its base case projections is not expecting any material financial support to THDCL and Pune Metro project from TRIL's operational cash flows. Nonetheless, ICRA believes TRIL entities will continue to receive adequate and timely financial support from TSPL, in case of any financial exigencies.

ICRA has reaffirmed and withdrawn the rating on the Rs 1,025-crore NCD programme of the company, as the rated amount has been fully repaid.

The Stable outlook reflects ICRA's belief that TRIL will continue to benefit from its diversified investment portfolio and it being a wholly-owned subsidiary of TSPL, providing it a strong refinancing and fund-raising ability.

Key rating drivers and their description

Credit strengths

Strong parentage by virtue of being a wholly-owned subsidiary of Tata Sons Private Limited – TRIL is a wholly-owned subsidiary of TSPL and is strategically important to the Tata Group, given that it is the flagship entity for investment in the infrastructure and commercial real estate verticals. The strategic importance of TRIL is evident from the representation of some key personnel of TSPL on the TRIL board. Further, TSPL has provided timely financial support in the past and has infused Rs. 5,370 crore till March 31, 2024, including Rs. 1,995 crore in FY2024. ICRA expects the demonstrated strategic, managerial and funding group support to TRIL to continue going forward.

Diversified portfolio of projects – TRIL has a diversified investment portfolio, which comprises a mix of real estate (22.4 msf of commercial office space, 0.1 msf of retail, 0.13 msf of unsold residential inventory) and infrastructure projects in the road (4 projects with 1,545 lane km), metro (23.1 kms) and ropeway segments.

Strong operational performance of projects – TRIL has ~22.4 msf of commercial office space, of which ~7.4 msf is completed and the balance ~15.0 msf is under construction/ in planning stage (as of March 2024). Its commercial real estate projects in Mumbai, Chennai and Gurugram (Sector 72) continue to have high occupancy levels and are likely to perform well in the medium term. Another commercial real estate project in Gurugram (Sector 58) witnessed healthy increase in occupancy (to 76% as of June 2024 from 9% as of March 2023 for operational phase – 1A) following the recent changes in the Special Economic Zone (SEZ) regulations, thereby paving the way for denotification of SEZ spaces and providing greater visibility for future cash flows. Further, its residential real estate project in Kochi is complete. The unsold inventory is unencumbered and is expected to provide cash flows in the near term. All the four toll road assets are operational and self-sufficient, with an annual toll collection of Rs. 751 crore against a gross debt of Rs. 2,688 crore as on March 31, 2024. The Dharamshala ropeway project, that achieved COD on January 19, 2022, may need minimal support in FY2025, given its moderate performance.

Credit challenges

Exposed to refinancing risk – The company is exposed to moderate refinancing risks, owing to high proportion of medium-term debt, resulting in Rs. 1,395 crore of debt repayment obligations during the next 18 months. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a part of the Tata Group, which is also evident from the demonstrated track record of timely debt refinancing in the past at competitive rates.

Equity requirement towards its portfolio and explicit support to some of the investee companies – TRIL has equity commitment/support towards its portfolio of assets, which as on March 31, 2024 stood at Rs. 725 crore (of this Rs.210 crore has already been infused till June 30, 2024). These are to be met over the next two years and the same will be funded through an additional debt. Timely commissioning of under-construction projects, within their budgeted costs, would remain a key monitorable and any materially higher-than-expected debt-funded support to its investee companies would remain a rating sensitivity. The ratings consider the inherent risks in implementation of the entity's first Metro project, which is scheduled for completion by March 2025 and the revenue risks, given the DBFOT mode of execution. ICRA has taken note of the explicit support that TRIL has provided to the borrowing programme of some of the investee companies. Any deterioration in the credit profile of these investee companies could result in crystallisation of the contingent liabilities and, thus, will remain a key monitorable.

Liquidity position: Adequate

The company's liquidity position remains adequate with unencumbered cash balance and liquid investments of ~Rs.13.0 crore as on Mar 31, 2024. Further, the company also has an unutilised overdraft limit of Rs.75 crore as on Mar 31, 2024, which supports the liquidity profile. The company has already refinanced its long-term debt obligations falling due in FY2025. The estimated equity support by TRIL towards its portfolio in FY2025 stands at Rs. 475 crore (of this Rs.210 crore has already been infused till June 30, 2024), however, the actual amount will depend on progress of the ongoing projects.

Rating sensitivities

Positive factors – The crystallisation of scenarios for any rating upgrade is unlikely.

Negative factors – Pressure on TRIL's ratings could arise if there is any higher-than-anticipated increase in leverage due to any significant cost overruns in the ongoing projects, or any substantial under-performance of its operational assets leading to enhanced refinancing risks. Further, deterioration in the credit profile of the parent or a decrease in shareholding or strategic importance of TRIL, will also remain a key rating sensitivity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Investment Companies Policy On Withdrawal Of Credit Ratings
Parent/Group support	Parent Company: Tata Sons Private Limited (TSPL) We expect TRIL's parent, TSPL [rated [ICRA]AAA (Stable)/[ICRA]A1+], to be willing to extend financial support, in case of a need, given the high strategic importance that TRIL holds for TSPL for meeting its diversification objectives and out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has fully consolidated four entities and has used limited consolidation approach for 17 entities, under which the proposed equity investments for under-construction projects and funding support required to various subsidiaries towards debt servicing and operational shortfall have been considered. The list of companies that are consolidated to arrive at the rating are given in Annexure II.

About the company

TRIL, a 100% subsidiary of TSPL, was incorporated on March 2, 2007 for undertaking various infrastructure and real estate projects by establishing special purpose vehicles (SPVs). TRIL's various business interests can be categorised into three segments, namely real estate, infrastructure and services. It has invested directly in the real estate projects but the investments in roads and urban transport projects, however, are through holding companies. Its operational portfolio consists of four real estate projects, one retail mall cum parking space, one ropeway and four road projects. The company has a large under-construction portfolio comprising four commercial real estate projects, one ropeway projects and a metro project. It also provides project management and asset management services to its various SPVs.

Key financial indicators (audited)

TRIL Standalone	FY2023	FY2024
Operating income (Rs. crore)	182.0	167.8
PAT (Rs. crore)	-146.2	-112.3
OPBDIT/OI (%)	-6.2%	6.3%
PAT/OI (%)	-80.3%	-66.9%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	-134.5	213.8
Interest coverage (times)	-0.1	0.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations;

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

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 12, 2024	Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture	Long term	1975.0	[ICRA]AA+ (Stable)	Sep 13, 2023	[ICRA]AA+ (Stable)	Sep 13, 2022	[ICRA]AA+ (Stable)	Sep 13, 2021	[ICRA]AA (Stable)
Commercial paper	Short term	2,200.0	[ICRA]A1+	Sep 13, 2023	[ICRA]A1+	Sep 13, 2022	[ICRA]A1+	Sep 13, 2021	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture	Very Simple
Commercial paper	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
INE371K08151	NCD	12-Nov-20	7.30%	10-Nov-23	400.0	[ICRA]AA+(Stable); reaffirmed and withdrawn
INE371K08169	NCD	23-Dec-20	7.09%	21-Jun-24	300.0	[ICRA]AA+(Stable); reaffirmed and withdrawn
INE371K08185	NCD	17-Jun-21	6.50%	17-July-24	325.0	[ICRA]AA+(Stable); reaffirmed and withdrawn
INE371K08227	NCD	7-Aug-2023	8.10%	6-Aug-2026	510.0	[ICRA]AA+(Stable)
INE371K08219	NCD	7-Aug-2023	8.25%	6-Aug-2026	210.0	[ICRA]AA+(Stable)
INE371K08235	NCD	3-May-2024	8.20%	3-May-2026	225.0	[ICRA]AA+(Stable)
INE371K08243	NCD	12-Jun-2024	8.15%	12-Jun-2027	100.0	[ICRA]AA+(Stable)
Yet to be placed	NCD	-	-	-	930.0	[ICRA]AA+(Stable)
INE371K14BZ4	CP	29-Apr-2024	7.77%	28-Oct-2024	105.0	[ICRA]A1+
INE371K14BY7	CP	2-May-2024	7.77%	31-Oct-2024	145.0	[ICRA]A1+
INE371K14CB3	CP	7-Jun-2024	7.45%	6-Sep-2024	185.0	[ICRA]A1+
INE371K14CA5	CP	10-Jun-2024	7.38%	9-Sep-2024	275.0	[ICRA]A1+
INE371K14CC1	CP	14-Jun-2024	7.32%	13-Sep-2024	100.0	[ICRA]A1+
INE371K14CD9	CP	19-Jun-2024	7.30%	18-Sep-2024	275.0	[ICRA]A1+
INE371K14CE7	CP	16-Jul-2024	7.62%	12-Dec-2024	310.0	[ICRA]A1+
Yet to be placed	CP	-	-	-	805.0	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	TRIL Ownership	Consolidation Approach
TRIL Roads Private Limited	100.00%	Full Consolidation
Hampi Expressways Private Limited	100.00%	Limited Consolidation
Uchit Expressways Pvt. Ltd.	100.00%	Limited Consolidation
Pune Solapur Expressways Private Limited	50.00%	Limited Consolidation
Durg Shivnath Expressways Pvt. Ltd	100.00%	Limited Consolidation
TRIL Urban Transport Private Limited	100.00%	Limited Consolidation
Dharamshala Ropeway Ltd	74.00%	Limited Consolidation
Matheran Ropeway Private Limited	70.00%	Limited Consolidation
Pune IT City Metro Rail Limited	74.00%	Full Consolidation
International Infrabuild Private Limited	26.00%	Limited Consolidation
TRIL IT4 Private Limited	100.00%	Limited Consolidation
Tril Bengaluru Real Estate Five Limited	100.00%	Limited Consolidation
Tril Bengaluru Real Estate Six Limited	100.00%	Limited Consolidation
Tata Housing Development Co Ltd	99.98%	Full Consolidation
Arrow Infra estate Pvt. Ltd.	51.00%	Limited Consolidation
Gurgaon Constructwell Pvt. Ltd.	51.00%	Limited Consolidation
Gurgaon Realtech Ltd.	51.00%	Limited Consolidation
Industrial Minerals and Chemicals Private Limited	74.00%	Limited Consolidation
Mikado Realtors Private Limited	74.00%	Full Consolidation
Infopark Properties Limited	51.00%	Limited Consolidation

Company Name	TRIL Ownership	Consolidation Approach
TRIL Constructions Limited	19.54%	Limited Consolidation

Source: Company

Corrigendum

Rationale dated September 12, 2024 has been revised with respect to expected debt levels.

ANALYST CONTACTS

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

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Chintan Dilip Lakhani
+91 22 6169 3345
chintan.lakhani@icraindia.com

Rohit Agarwal
+91 22 6169 3329
rohit.agarwal@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.

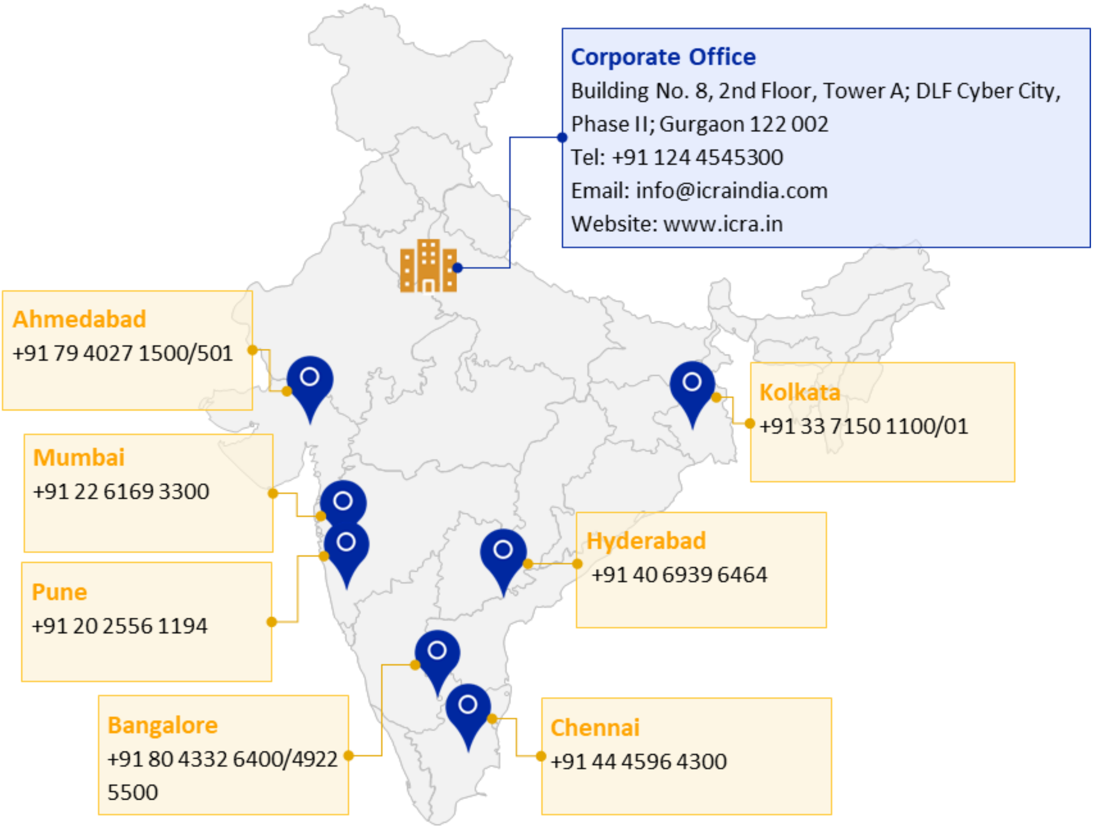
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.