December 16, 2024

VITP Private Limited: [ICRA]A- (Stable) assigned to proposed non-convertible debenture (NCD) and ratings reaffirmed for existing NCD and term loan

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCD)	330.00	330.00	[ICRA]BBB (Stable); reaffirmed
Long-term – Fund-based – Term loan	1,294.00	1,294.00	[ICRA]A-(Stable); reaffirmed
Proposed non-convertible debentures (NCD)	0.00	150.00	[ICRA]A- (Stable); Assigned
Total	**1,624.00**	**1,774.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action for the proposed NCD and existing NCDs of VITP Private Limited (VITP) factors in the healthy occupancy of its office portfolio at 95% as of September 2024 (97.6% as of March 2024), reputed and diversified tenant profile, along with strong promotor profile, with established track record of developing and managing commercial real estate and data centre projects.

At present, VITP owns an IT park in Hitech City, Hyderabad, named International Tech Park Hyderabad (ITPH) with a leasable area of 2.54 million square feet (msf) and a healthy occupancy rate of 95% as of September 2024. It also owns IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.50 msf and a similar occupancy rate of 95% as of September 2024. The company's debt protection metrics are expected to remain strong backed by healthy occupancy rates and minimal debt repayment obligations. VITP plans to redevelop the Orion building in ITPH from the existing leasable area of 0.2 msf to ~0.9 msf at an estimated cost of Rs. 400–450 crore in the medium term, which will be funded through internal accruals. The interest on the rated NCDs of Rs. 330 crore for the period from October 15, 2024 to FY2026, will be payable in September 2027, with annual interest payments due on March 31 of each financial year starting from FY2027. The proposed NCDs have defined timelines for interest and principal repayment obligations. The ratings continue to factor in the high financial flexibility, backed by strong parentage as it is a wholly-owned step-down subsidiary of the Singapore-based CapitaLand India Trust (CLINT) that owns high-quality commercial office space in India with a leasable area of ~21.7 msf spread across Bangalore, Chennai, Hyderabad, Mumbai and Pune at a healthy consolidated occupancy rate of 91% as on September 30, 2024.

The ratings, however, remain constrained by the exposure to refinancing risk associated with the bullet repayment for the NCDs. Nonetheless, this risk is partly mitigated by the long tenure of the NCDs with existing NCD of Rs. 330 crore maturing in FY2031 and the proposed NCD of Rs. 150 crore with a term of 30 years maturing in FY2055, with annual interest payments. In addition, the ratings are also constrained by the execution risk associated with the planned re-development of the Orion building in ITPH. VITP is also exposed to the inherent cyclicality in the real estate industry and vulnerability to external factors.

The rating reaffirmation of [ICRA]A- (Stable) to the term loan of VITP factors in its strong promoter profile with a track record of developing and managing data centre (DC) projects. VITP's parent, CLINT, is held by the CapitaLand Group (24.8% as on February 29, 2024), a Temasek Holdings (Private) Limited[1] entity, which has global experience in managing DCs with 26 facilities (operational and under-construction) in 10 cities across the world with a total installed capacity of ~500 MW. CLINT also has a significant development pipeline of DCs with an estimated capacity of ~115 MW across four cities in India (in different special purpose vehicles), which will become operational in multiple phases over the medium term. At present, VITP is developing a

[1]*Temasek Holding (Private) Limited, which is 100% owned by the Government of Singapore through the Minister of Finance, has deemed interest of ~52% in CapitaLand Investments Limited as on December 31, 2023.*

DC in International Tech Park Hyderabad (ITPH) with a capacity of 25 MW at a total project cost of ~Rs. 1,943 crore[2] in a phased manner, which is estimated to be funded by a debt-to-equity ratio of 67:33. Further, the debt required for the DC project has been tied up. The rating also considers the strong long-term demand prospects for DCs, backed by the digital data explosion in India and favourable regulatory support.

These strengths are, however, partially offset by exposure to execution risk as the project is currently in the nascent stages of construction. The DC project remains exposed to market risks, given that there are no pre-leasing tie-ups as on date. Further, the estimated capital cost per MW is relatively higher compared to the benchmark cost due to elevated core and shell costs (increase in excavation cost with presence of rocky terrain, greater floor loading capacity and higher floor-to-ceiling height). Consequently, the break-even occupancy remains high for the DC project. Any delay in tying of leases at adequate rates would adversely impact the ability to refinance the construction debt in a timely manner and would remain the key monitorable. However, comfort can be drawn from the experience of the CapitaLand Group in dealing with hyperscalers and tenants with large DC space requirements globally. The company also faces stiff competition from large DC additions from established players. The competition is likely to further intensify with the entry of new players in the segment.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to achieve adequate leasing progress in the DC project before the bullet repayment, benefitting from the healthy demand prospects for the sector and strong sponsor profile, which is expected to provide operational and financial support

Key rating drivers and their description

Credit strengths

Healthy occupancy of office portfolio with strong tenant profile – VITP owns an IT park in Hitech City, Hyderabad, named International Tech Park Hyderabad (ITPH) with a leasable area of 2.54 msf at a healthy occupancy rate of 95% as of September 2024. It also owns IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.50 msf at a similar occupancy rate of 95% as of September 2024. The entity has a reputed tenant profile, including EY, Cigniti Technologies Ltd, TCS, LTI Mindtree, Accenture and Dell, among others. The company's debt protection metrics are expected to remain strong backed by healthy occupancy and minimal debt obligations.

Strong sponsor profile and experience of CapitaLand Group in commercial real estate and DC segment – VITP is a wholly-owned step-down subsidiary of CLINT. CLINT, in turn, is held by the CapitaLand Group (24.8% as on February 29, 2024), a Temasek Holdings (Private) Limited entity, which has global experience in managing DCs with 26 facilities (operational and under-construction) in 10 cities across the world and a total installed capacity of ~500 MW. In addition, CLINT owns high-quality commercial office space in India with a leasable area of ~21.7 msf spread across Bangalore, Chennai, Hyderabad, Mumbai and Pune at a healthy consolidated occupancy of 91% as on September 30, 2024. CLINT also has a significant development pipeline of DCs with an estimated capacity of ~115 MW across four cities in India (in different special purpose vehicles), which will be operational in multiple phases over the medium term.

Low funding risk for DC project – At present, VITP is developing a DC, in ITPH, with a capacity of 25 MW at a total project cost of ~Rs. 1,943 crore in a phased manner, which is estimated to be funded through a debt-to-equity ratio of 67:33. Further, the debt required for the DC project has been tied up with a six-year loan that has bullet repayment at the end of the tenure. The DC project is likely to start operations in FY2027 in a phased manner.

[2] *Total project cost includes hard cost, land & approval cost and interest during construction.*

Digitisation and favourable regulations support long-term prospects of data centres – Data localisation and data explosion are paving the way for the DC revolution in India. Digitisation drivers like adoption of new technologies (Cloud, IoT, generative AI, Big Data and 5G rollout), increase in digital penetration (internet usage, mobile penetration), e-commerce, Government focus on digital infrastructure and favourable regulatory policies such as Digital Data Protection Bill, infrastructure status to data centres, special incentives from Central and state governments are expected to boost DC investments in the country and demand for the sector.

Credit challenges

Exposure to execution and market risks for data centre project – The company is exposed to execution risk associated with the large, planned re-development of the Mariner building into a DC at ITPH, which is expected to be executed in a phased manner from Q1 FY2026. The project remains exposed to market risks, as there are no pre-leasing tie-ups as on date. Any delay in tying of leases at adequate rates would adversely impact the ability to refinance the construction debt in a timely manner and would remain key monitorable. In addition, VITP plans to redevelop the Orion building in ITPH from the existing leasable area of 0.2 msf to ~0.9 msf at an estimated cost of Rs. 400–450 crore in the medium term, which will be funded through internal accruals.

High capital cost and break-even occupancy – The estimated capital cost per MW is relatively higher compared to the benchmark cost due to higher core and shell costs (increase in excavation cost with presence of rocky terrain, greater floor loading capacity and higher floor-to-ceiling height). Consequently, the break-even occupancy remains high for the DC project. However, comfort can be drawn from the experience of the CapitaLand Group in dealing with hyperscalers and tenants with large DC space requirements globally. The company also faces stiff competition from large DC additions from established players. The competition is likely to further intensify with the entry of new players in the segment.

Exposure to refinancing risk for the rated NCDs – The company is exposed to refinancing risk associated with the bullet repayment for the NCDs. Nonetheless, this risk is partly mitigated by the long tenure of the NCDs (maturing in FY2031). The interest on the rated NCDs for the period FY2024 to FY2026 is payable in September 2027 and payable annually on March 31 of every financial year from FY2027 onwards and proposed NCD of Rs. 150 crore with term of 30 years maturing in FY2055 with interest to be paid annually. VITP is also exposed to the inherent cyclicality in the real estate industry and vulnerability to external factors.

Liquidity position: Adequate

The company's liquidity is expected to remain adequate. Around Rs. 200-crore NCDs are due for repayment in February 2025, which can be repaid comfortably through its estimated cash flow from operations and from proposed NCD, if required. After this, it will only have principal debt obligations in FY2031. Notwithstanding the healthy cash flow from operations, its capex outflows are likely to be substantial in the near-to-medium term. ICRA expects VITP to receive adequate funding support from the CapitaLand Group towards its ongoing capital expenditure programme, if required. As on September 30, 2024, the company had free cash and liquid investments of Rs. 46.8 crore.

Rating sensitivities

Positive factors – The rating of BLR instrument and proposed NCD could be upgraded if there is significant ramp-up of leasing for data center project at adequate rates providing visibility on timely refinancing of construction debt. Specific credit metrics that could lead to a rating upgrade include 80% leasing for DC project. The upgrade is unlikely for rated NCD of Rs. 330 crore given the characteristics of the debt instrument.

Negative factors – Negative pressure on the BLR rating could arise if there are material cost or time overruns in DC project completion or considerable delay in leasing in DC project impacting the company's ability to refinance the construction debt. Further, material decline in occupancy for office portfolio resulting in weakening of debt protection metrics and liquidity position, on a sustained basis will be a credit negative.

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

VITP is wholly owned by Ascendas Property Fund India Pte. Ltd., a Singapore-based company, which is a 100% subsidiary of CLINT, a Singapore-listed business trust that owns offices and industrial parks in various cities in India. VITP is in the business of developing, operating, and maintaining office parks. At present, VITP owns one IT park in Hitec City, Hyderabad, named ITPH, with a leasable area of 2.54 msf and another IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.5 msf. The company is also developing a DC project under VITP with an IT load of 25 MW at an estimated total project cost of ~Rs. 1,943 crore.

Key financial indicators

	FY2023	FY2024	H1 FY2025
	Audited	Audited	Provisional
Operating income	224.4	307.7	178.9
PAT	46.6	94.7	62.0
OPBDIT/OI	78.2%	77.5%	79.9%
PAT/OI	20.8%	30.8%	34.7%
Total outside liabilities/Tangible net worth (times)	3.98	3.05	3.17
Total debt/OPBDIT (times)	6.8	4.9	4.7
Interest coverage (times)	1.1	1.6	1.9

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

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
NCD	Long-term	330.00	June 28, 2024	[ICRA] BBB (Stable)	Oct 30, 2023	[ICRA] BBB (Stable)	Dec 23, 2022	[ICRA] BBB (Stable)	Dec 24, 2021	[ICRA] BBB (Stable)
			Dec 16, 2024	[ICRA] BBB (Stable)	-	-	-	-	-	-
NCD	Long-term	-	-	-	Oct 30, 2023	[ICRA] BBB (Stable) Withdrawn	Dec 23, 2022	[ICRA] BBB (Stable)	Dec 24, 2021	[ICRA] BBB (Stable)
			-	-	-	-	-	-	-	-
Term loan	Long term	1,294.00	June 28, 2024	[ICRA] A- (Stable)	-	-	-	-	-	-
			Dec 16, 2024	[ICRA] A- (Stable)						
Proposed NCD	Long term	150.0	Dec 16, 2024	[ICRA] A- (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
NCD	Very simple
Long-term – Fund-based – Term loans	Simple
Proposed NCD	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
INE743G08100	**NCD**	Feb 05, 2021	12%	Feb 05, 2031	330.00	[ICRA]BBB (Stable)
NA	**Term loan**	FY2025	-	FY2031	1294.00	[ICRA]A- (Stable)
NA	**Proposed NCD***	NA	NA	NA	150.00	[ICRA]A- (Stable)

*Source: Company, *Proposed to be listed*

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:

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