

December 30, 2024

IG3 Infra Limited: Rating upgraded to [ICRA]A- (Stable); rated amount enhanced

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|-------------------------------------|--------------------------------------|-------------------------------------|---|
| Long-term – Fund-based – Term Loans | 1,811.08 | 2,265.00 | [ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Stable) and assigned for enhanced amount |
| Long-term - Non-fund based | 47.52 | 47.70 | |
| Long-term – Unallocated | 22.00 | 0.00 | - |
| Total | 1,880.60 | 2,312.70 | |

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade for IG3 Infra Limited (IG3) factors in the improvement in occupancy levels and refinancing of debt with an elongated tenure resulting in improvement in debt coverage metrics, while maintaining adequate leverage levels, which is expected to be sustained in the medium term. IG3 operates an office asset – Chennai One IT SEZ – with an operational leasable area of 3.7 million square feet (msf). While the company has refinanced the outstanding debt with a top-up loan (totalling Rs. 2,200 crore) in June 2024, the debt tenure is elongated, which along with an increase in occupancy of the operational area to ~100% as of November 2024 from 89% as of August 2023 resulted in improved debt coverage metrics with five-year average DSCR in the range of 1.4-1.45 times for FY2025-FY2029. The top-up debt of ~Rs. 470 crore is anticipated to be utilised for constructing an additional area of 0.7 msf, for which the company has a healthy leasing pipeline, thereby mitigating the market risk to an extent. The leverage is likely to be adequate, with total debt/ annualised net operating income (NOI) to be around 6.5 times (PY: 6.69 times) as of March 2025 and below 6 times in the medium term. The rating notes the company's strong tenant profile and favourable location of its property, Chennai One, close to the IT corridor of Old Mahabalipuram Road (OMR) in Chennai, which enhances marketability. IG3 has launched a plotting project in FY2024 with a saleable area of 0.42 msf in Devanahalli, Bengaluru and the pending project cost of around ~Rs. 35 crore is expected to be funded through committed receivables and the company is not likely to take debt for this project.

The rating is, however, constrained by the high tenant concentration risk with the top tenant accounting for ~39% of the area leased as of November 2024. Also, the top five tenants together constitute 73% of the leased area. Further, the weighted average lease expiry (WALE) of the asset remains at 2.9 years compared to the remaining debt maturity of around 14.5 years, thereby exposing it to lease renewal risk. However, significant investments made by tenants towards fit-outs and competitive rentals mitigate the risk to an extent. The company is exposed to high geographical and asset concentration risks inherent in single project portfolios. Further, the debt coverage metrics remain exposed to changes in interest rates or material reduction in occupancy levels. The rating is constrained by the investments made by IG3 in Group companies and other non-revenue generating projects, which impact its return on capital employed. The scale of future capex and investments in other projects and funding mix of the same will be the key monitorable.

In FY2024, IG3 has provided a corporate guarantee to one of its subsidiaries, ETL Secure Space Ltd, which plans to develop a data centre (DC) project in Bengaluru in the medium term. The company will be exposed to execution and market risks for this new project.

The Stable outlook reflects ICRA's expectation that the company will benefit from the favourable location of the project and healthy occupancy levels resulting in comfortable debt coverage metrics, while maintaining adequate leverage.

Key rating drivers and their description

Credit strengths

Healthy occupancy levels resulting in improvement in debt coverage metrics – The company has refinanced the outstanding debt with a top-up loan (totalling Rs. 2,200 crore) in June 2024. The debt tenure is elongated, which along with an increase in occupancy of the operational area to ~100% as of November 2024 from 89% as of August 2023 resulted in improved debt coverage metrics with five-year average DSCR in the range of 1.4-1.45 times for FY2025-FY2029. The top-up debt of ~Rs. 470 crore is expected to be utilised for construction of additional area of 0.7 msf, for which the company has healthy leasing pipeline, thereby mitigating the market risk to an extent. The leverage is likely to be adequate, with total debt/ annualised net operating income (NOI) to be around 6.5 times (PY: 6.69 times) as of March 2025 and below 6 times in the medium term.

Reputed tenant profile and favourable location of property – The rating notes the company's strong tenant profile and favourable location of the property 'Chennai One IT SEZ', owned and operated by IG3, close to the IT corridor of Old Mahabalipuram Road (OMR) in Chennai, which enhances marketability. The proximity of the SEZ to one of the prominent markets for office supports high occupancy levels of the asset.

Credit challenges

High tenant concentration and lease renewal risks – The company is exposed to high tenant concentration risk with the top tenant accounting for ~39% of the area leased as of November 2024. Also, the top five tenants together constitute 73% of the leased area. Further, the WALE of the asset remains at 2.9 years compared to the remaining debt maturity of around 14.5 years, thereby exposing it to lease renewal risk. However, significant investments made by tenants towards fit-outs and competitive rentals mitigate the risk to an extent. The company also faces high geographical and asset concentration risks inherent in single project portfolios.

High investments and advances to group companies and other projects – As on March 31, 2024, IG3 had investments and advances extended to related parties and subsidiaries to the tune of Rs. 440 crore. Besides, IG3 has previously invested in certain projects and non-cash generating assets. In FY2024, IG3 has provided a corporate guarantee to one of its subsidiaries, ETL Secure Space Ltd, which plans to develop a DC project in Bengaluru in the medium term. The company will be exposed to execution and market risks for this new project. The scale of future capex and investments in other projects and the funding mix of the same will be the key monitorable.

Liquidity position: Adequate

The company's liquidity position is adequate. IG3 has debt repayment obligation of Rs. 70 crore in FY2025 and Rs. 44 crore in FY2026, which can be comfortably serviced through its estimated cash flow from operations. It also maintains debt service reserve account (DSRA), which covers three months' debt obligations (principal and interest). The company has capex plans of around Rs. 460-470 crore to be incurred in FY2025 and FY2026 towards constructing an additional area of 0.7 msf, which is expected to be funded through the recently raised top-up debt.

Rating sensitivities

Positive factors – ICRA could upgrade IG3's rating if the company demonstrates a sustained high occupancy level, along with improvement in debt protection metrics on a sustained basis. Specific credit metrics for a rating upgrade include five-year average DSCR greater than 1.5 times on a sustained basis.

Negative factors – The rating may be downgraded if there is a material decline in occupancy levels or significant increase in indebtedness resulting in weakening of debt coverage and leverage metrics. Further, any material incremental investments or

loans and advances to group companies will be a credit negative. Specific credit metric for a downgrade includes the five-year average DSCR declining below 1.3 times or total debt/annualised NOI above 6.5 times on a sustained basis.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | ICRA has consolidated the financials of IG3 Infra Ltd and its subsidiary ETL Secure Space Ltd (ESSL), given the strong operational and financial linkages and IG3 has provided a corporate guarantee for the proposed debt to be availed by ESSL. |

About the company

IG3 Infra Limited (formerly known as Indian Green Grid Group Limited), a Chennai-based company, has developed an Information Technology- Special Economic Zone (IT -SEZ) – ‘Chennai One’, at Pallavaram-Thoraipakkam, in Chennai, with a total leasable operational commercial space of 3.7 msf. The company is promoted by Ms. Unnamalai Thiagarajan. It completed the first phase of the IT SEZ on a land area of 7.86 acres with a leasable area of 1.05 msf in FY2007. Further, the North Block and South Block of the second phase, got commercialised in FY2016 and FY2019, respectively. At present, the company is constructing additional leasable area of 0.7 msf in the Chennai One property.

In FY2024, IG3 has provided a corporate guarantee to one of its subsidiaries, ETL Secure Space Ltd, which plans to develop a data centre (DC) project in Bengaluru in the medium term. At present, there are no operations under ETL Secure Space Ltd.

Key financial indicators (audited)

| | FY2023 | FY2024 |
|--|--------|--------|
| Operating income | 299.9 | 349.6 |
| PAT | 21.1 | 86.9 |
| OPBDIT/OI | 73.1% | 75.6% |
| PAT/OI | 7.0% | 24.9% |
| Total outside liabilities/Tangible net worth (times) | 2.4 | 2.2 |
| Total debt/OPBDIT (times) | 8.4 | 6.7 |
| Interest coverage (times) | 1.3 | 1.5 |

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) | 30-Dec-2024 | Date | Rating | Date | Rating | Date | Rating |
| Long-term-Term loan-Fund-based | Long Term | 2265.00 | [ICRA]A-(Stable) | 06-OCT-2023 | [ICRA]BBB+(Stable) | 23-SEP-2022 | [ICRA]BBB (Stable) | 18-JUN-2021 | [ICRA]BBB (Stable) |
| Long-term-Others-Non-fund based | Long Term | 47.70 | [ICRA]A-(Stable) | 06-OCT-2023 | [ICRA]BBB+(Stable) | 23-SEP-2022 | [ICRA]BBB (Stable) | 18-JUN-2021 | [ICRA]BBB (Stable) |
| Long-term-Unallocated | Long Term | 0.00 | - | 06-OCT-2023 | [ICRA]BBB+(Stable) | 23-SEP-2022 | [ICRA]BBB (Stable) | 18-JUN-2021 | [ICRA]BBB (Stable) |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|------------------------------------|----------------------|
| Long-term – Fund-based – Term loan | Simple |
| Long-term – Non-fund based | 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 | FY2025 | NA | FY2040 | 2265.00 | [ICRA]A- (Stable) |
| NA | Non-fund based | NA | NA | NA | 47.70 | [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

| Company Name | Ownership | Consolidation Approach |
|----------------------|-----------|------------------------|
| ETL Secure Space Ltd | 100.0% | Full Consolidation |

Source: Company data

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