

May 27, 2022

International Biotech Park Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	25.00	[ICRA]BBB (Stable); assigned
Lease Rental Discounting (LRD)	30.00	[ICRA]BBB (Stable); assigned
Total	55.00	

Rationale

International Biotech Park Limited (IBPL) is a joint venture between TCG Urban Infrastructure Holdings Private Limited (TCGUIH, the holding company of the TCG Group for its real estate business; rated [ICRA]BBB/ Stable) and Maharashtra Industrial Development Corporation (MIDC). IBPL develops biotech offices, residential and commercial space as a part of the International Biotech Park at Hinjewadi Phase 2, Pune. As on date, it has delivered 0.32 million square feet (mn sqft) commercial space across three buildings and around 0.5 mn sqft of residential space in two phases. In the next phase, the company is planning to develop residential units (planned launch in October 2022) with a total saleable area of 0.28 mn sqft spread across three towers.

The rating assigned favourably factors in the attractive location of International Biotech Park within Phase 2 of Hinjewadi, Pune. The rating positively notes IBPL's strong parentage as a part of the TCG Group, and the resultant financial flexibility. The TCG Group has funded the expenses till date on the planned residential development through equity contribution and unsecured loans (quasi equity). ICRA expects the promoters to continue to support the project's funding requirements till the bank limits are disbursed. The assigned rating reflects the TCG Group's track record in the real estate space, the low leverage in the planned residential project funding mix as well as the leasing segment, and the adequate debt coverage metrics for the leasing segment. The rated facilities have an escrow mechanism in place and requires maintaining a debt service reserve account (DSRA) equivalent to three months of debt servicing obligations, which provides comfort against any short-term liquidity mismatches.

The rating is, however, constrained by the residential project's exposure to execution and market risks. The residential project is expected to be launched in October 2022 and is at an initial stage of execution, with 10.3% project progress as on March 31, 2022. The committed occupancy for the office portfolio is moderate at 50%, exposing the company to market risks for the balance area. However, ICRA notes that the existing leasing adequately covers the debt repayment obligations of the LRD facility. IBPL is exposed to lease renewal and counterparty risks for the occupied portion as it has a weighted average lease expiry (WALE) of 3.8 years against the LRD tenor of 9.3 years. While the company's ability to renew leases and achieve incremental leasing on time and at adequate rental rates will remain critical from a credit perspective, the track record of its promoter provides comfort. IBPL is also exposed to geographical and asset concentration risks, which are inherent in project-specific special purpose vehicles (SPVs).

The Stable outlook on the rating reflects ICRA's opinion that the company will be able to achieve sizeable sales progress, complete the residential project without any material time and cost overruns and maintain healthy occupancy levels for the office portfolio. It also enjoys financial flexibility being part of a strong sponsor group.

Key rating drivers and their description

Credit strengths

Established track record and business profile of TCG Group; strong parentage lends financial flexibility – TCG was founded by Dr. Purnendu Chatterjee in 1989. It has diversified interests, mainly in petrochemicals (Haldia Petrochemicals Limited, rated [ICRA]AA- (Stable)/A1+ (September 2021)), life sciences and healthcare (TCG Lifesciences Pvt Ltd, rated [ICRA]A (Stable)/A1 (June 2021)), real estate, outsourcing and technology services. It is present in the US, Europe and South Asia. TCGUIH serves as the holding company for the real estate activities of the TCG Group and has a vast track record of developing assets and putting them on lease, having completed eight projects spanning 4.2 mn sqft, spread over six cities. The occupancy levels across most leased properties are healthy. IBPL has significant financial flexibility by being a part of a large and diversified business group. TCGUIH has lent adequate support to IBPL in the form of promoter's contribution for the planned residential project and corporate guarantee for IBPL's borrowings.

Attractive location of properties – The Park is located in Phase 2 of Hinjewadi in Pune, off the Mumbai-Pune Expressway. The Park lies along the arterial Hinjewadi Road that connects Phases 1 and 3, while traversing the length of Phase 2. IBPL is at about 5 km from Mumbai-Pune Expressway, 22 km from central business district, Shivaji Nagar, and 20 km from the Pune Railway Station. The company has an operating track record of delivering around 0.5 mn sqft of residential units totalling 400 units, which were developed in two phases, in The Crown Greens.

Low leverage and adequate debt coverage indicators for the portfolio – The total project cost to be incurred for the planned residential project is estimated to be Rs. 139.15 crore. The same is proposed to be funded by Rs. 25-crore construction finance loan, Rs. 26.37-crore promoter contribution and Rs. 87.79-crore customer advances. In the leasing segment, the debt servicing coverage ratio (DSCR) on the rated LRD facility at the current level of leasing (50%) is estimated to be adequate, supported by low leverage levels. Also, the rated facilities require maintaining a DSRA equivalent to three months of debt servicing obligations. This, along with an escrow mechanism for project cash flows provides comfort against any short-term liquidity mismatches.

Credit challenges

Exposure to project execution and market risks for residential development – The residential project is at an initial stage of execution, with 10.3% project progress as on March 31, 2022. It has a total saleable area of 0.28 mn sqft spread across three towers. The project is expected to be launched in October 2022 and hence is exposed to execution and market risks. Nevertheless, with a DCCO of June 30, 2026, and the Group's extensive experience in the real estate space, ICRA expects the company to achieve sizeable sales progress and complete the construction within the scheduled timeline without any material time and cost overruns.

Exposure to counterparty risks and lease renewal risks for commercial properties – The company is exposed to lease renewal and counterparty risks for the occupied portion as it has a weighted average lease expiry (WALE) of 3.8 years against the LRD tenor of 9.3 years. While its ability to renew leases and achieve incremental leasing on time and at adequate rental rates will remain critical from a credit perspective, the track record of its promoter provides comfort.

Geographical and asset concentration risks associated with project-specific SPVs – The company is exposed to geographical and asset concentration risks, which are inherent in project-specific SPVs.

Liquidity position: Adequate

The company's liquidity position remains adequate with rental inflows comfortably higher than the debt obligations and an unencumbered cash balance of ~Rs. 2.1 crore as on March 31, 2022. Any incremental leasing will further boost the liquidity

profile. While it has tied up the construction finance for the planned residential project, the market response to the project launch will determine the project's working capital gap. IBPL's financial flexibility, as a part of the TCG Group and from the LRD potential of the leasing pipeline, provides comfort.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company's financial profile improves with a significant progress in sales and collections from the residential project and incremental leasing from the office portfolio at adequate rates. Timely progress of the residential project without any major cost overruns would also be a key monitorable.

Negative factors – Cost overruns or unforeseen delays in completing the residential project could exert negative pressure on the company's rating. Increase in leverage along with delays in balance lease tie-ups and sales for residential project leading to lower-than-expected inflows may also warrant a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities Rating Methodology for Debt Backed by Lease Rentals
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

IBPL is a joint venture between TCGUIH and MIDC. It has developed International Biotech Park, comprising biotech offices, residential and commercial space, at Hinjewadi Phase 2, Pune. TCGUIH and MIDC hold 87.93% and 12.07%, respectively, in IBPL. As on date, it has delivered 0.32 mn sqft commercial space across three buildings, namely, Genesis Square and Chrysalis Enclave (two buildings) and around 0.5 mn sqft of residential space (~400 units) in two phases of The Crown Greens. In the next phase, the company is planning to develop residential units with a total saleable area of 0.28 mn sqft spread across three towers.

IBPL acquired leasehold interests in the underlying land of International Biotech Park admeasuring about 80.14 acres from MIDC for a term of 95 years in 2004. The park is located within Phase 2 of Hinjewadi in Pune along the Mumbai/ Pune highway. As per the terms of the lease, IBPL can (a) sublease (or sell) land to third parties for similar business activities (b) utilise up to 15% of land towards commercial and residential development. To date, IBPL has sold 27 acres of land to third parties for development of lab spaces, pharmaceutical research units and biotech industrial units. Of the balance land, 10-acre is marked for residential, 4-acre has been utilised for biotech office units, 36-acre is vacant land and the balance (4-acre) is utilised towards internal infrastructure.

Key financial indicators

IBPL (Standalone)	FY2019	FY2020	FY2021
Operating Income (Rs. crore)	67.8	25.8	15.9
PAT (Rs. crore)	13.0	-1.9	-2.7
OPBDIT/OI (%)	42.2%	23.5%	25.4%
PAT/OI (%)	19.2%	-7.4%	-17.0%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	1.0	1.0
Total Debt/OPBDIT (times)	1.4	7.5	11.5
Interest Coverage (times)	5.2	1.4	0.9

Source: Company; PAT: Profit After Tax, OPBDIT: Operating Profit Before Depreciation, Interest and Tax, OI: Operating Income

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				May 27, 2022			
Term Loans	Long-term	25.00	-	[ICRA]BBB (Stable)	-	-	-
LRD	Long-term	30.00	5.89	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loans	Simple
LRD	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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	Sept-21	10.00%	FY 2028	25.00	[ICRA]BBB (Stable)
NA	LRD	Sept-21	8.25%	FY 2032	30.00	[ICRA]BBB (Stable)

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis - Not Applicable

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