

March 28, 2024

Piramal Corporate Tower Private Limited: [ICRA]A+(stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term Fund Based – Term Loans	510.00	[ICRA]A+(stable) assigned
Long term Fund based – Cash Credit/ Overdraft	5.00	[ICRA]A+(stable) assigned
Total	515.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to the bank lines of Piramal Corporate Tower Private Limited (PCTPL) factors in the healthy profile of the company supported by favourable location of the asset in the Central Business District of Mumbai, its healthy occupancy of 92% (as of February 2024) and a reputed tenant profile. The rating also draws comfort from PCTPL's strong sponsor profile, Piramal Enterprises Limited (PEL; rated [ICRA]AA(stable)/ [ICRA]A1+), which holds a 100% stake in the company and has demonstrated track record of need-based fund infusion in PCTPL, with board approved support line available in case of any cash flow mismatches. In addition to the escrow mechanism and Debt Service Reserve Account (DSRA) equivalent to one month of principal and interest payments (P+I), the company has cash and liquid investments of Rs. 48.3 crore (as on December 31, 2023), which supports the liquidity profile. The rating also takes into consideration the company's satisfactory debt coverage metrics, with expected Total external debt/NOI at around 7.5 times as of March 2025, comfortable five-year DSCR of around 1.15-1.20 times for its total external debt in FY2025-FY2029, supported by long tenure and favourable repayment schedule for the existing lease rental discounting (LRD) loan.

The rating, however, is constrained by vacancy risk, given the low weighted average lease expiry as compared to the weighted average debt maturity with 13% of the leased area due for lease expiry in FY2025 and 15% in FY2026, and cumulative of ~50% of the total leased area lock-in to expire by March 31, 2025. Further, it is also exposed to renewal risk and its ability to renew the contracts at favourable terms, given the high competition in the micro-market it operates in. The rating is also constrained by refinancing risk, since the company has high repayments of loan against property (LAP) due in FY2028 and FY2029. Further, with PCTPL being a single asset owning company, the market risk is heightened in case of any vacancy/non-renewal of leases. Nonetheless, the risk is partly mitigated by the property's favourable location. Also, 30% of the total leased area of PCTPL's is occupied by Piramal Group companies and the expected improvement in occupancy levels over the period, mitigate the risk to an extent. The rating also factors in the vulnerability of the debt coverage ratios to fluctuations in interest rates and occupancy levels.

The Stable outlook reflects ICRA's opinion that the company will be able to sustain healthy occupancy levels over the near to medium term, adequate buffer in lease rentals against the repayments and the commitment of the strong sponsor to support in case of any requirement.

Key rating drivers and their description

Credit strengths

Favourable location of the property and high occupancy – PCTPL acquired 3.10 lakh square feet (sq. ft.) of the leasable area of Piramal Tower from promoter company M/s Aasan Corporate Solutions Private Limited on December 27, 2023. Piramal Towers is a Grade A commercial property located at the junction of Ganpatrao Kadam Marg and Senapati Bapat Marg in Lower Parel, which is a part of Mumbai's central business district. The property is well connected to the other parts of Mumbai through road as well as railways. The well-developed catchment area of the property makes the property further favourable to the tenants.

Healthy operational performance of the property with ~92% occupancy rate – The property has a total leasable area of 3.1 lakh sq. ft. Further, the company has a strong tenant profile with reputed tenants such as Piramal Group companies, and reputed private equity and financial services entities. The tenant concentration also remains moderate at 43% from the top five tenants of the total leased area, as on February 29, 2024.

Satisfactory leverage and comfortable average DSCR – The company's leverage (debt/annualised NOI) remains satisfactory and is estimated to be ~7.5 times in FY2025. Further, the 5-year average DSCR for the total external debt remains comfortable at 1.15-1.20 times, taking into account the stated consideration the refinancing of the LAP loan. The loan can also be repaid by infusion from sponsor on its due date in FY2028 and FY2029. ICRA further draws comfort from the sponsors' commitment to infuse funds in a timely manner to support the cash flow mismatches, if required.

Strong promoter group with demonstrated track record of fund infusion lends financial flexibility – The company is owned by the sponsor, PEL, which is a non-banking financial company (NBFC). It has a presence in retail lending, wholesale lending, and fund-based platforms. PEL infused Rs. 289.6 crore as equity and ~Rs. 105 crore as inter-corporate deposits in FY2024 to acquire the Piramal Tower from Aasan Corporate Solutions Private Limited. ICRA also factors in the willingness of the parent, PEL, to provide timely financial support, if required, with a board approved support line, which provides comfort and lends high financial flexibility.

Repayment support with DSRA – The loan is supported by escrowing of rent receipts and DSRA covering one month of debt servicing obligations. Further, the liquidity is also supported by existing cash and liquid investments of Rs. 48.3 crore as on December 31, 2023.

Credit challenges

Exposed to market and renewal risks – The rating remains exposed to vacancy risk, given the low weighted average lease expiry of 2.5 years as compared to the weighted average debt maturity of 10.9 years. ICRA notes the lock-in period for the cumulative of ~50% of the total leased area is expected to expire by March 31, 2025, which may increase the vacancy risk and exert pressure on the coverage metrics. Moreover, the company's ability to renew the contracts at an attractive rate, given the high competition in the micro-market it operates in, also remains monitorable. However, ~30% of the total leased area is occupied by the Piramal Group of companies, which provides some comfort. Also, the risk is partly mitigated by the property's favourable location.

Refinancing risk – The company has availed LRD loan of Rs. 435.0 crore and has taken the Rs. 75.0-crore term loan (LAP) for acquiring Piramal Tower. Since the repayment of Rs. 75.0 crore has a five-year tenure with two equal bullet payments in FY2028 and FY2029, it exposes the company to refinancing risk. Nonetheless, the risks are partly mitigated by the strong financial flexibility of the company, as part of Piramal Group and flexibility available for repayment through infusion from the parent.

Single asset concentrated operations – The company owns only one commercial property, located at Lower Parel, Mumbai. This exposes it to asset concentration risk.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The debt coverage ratios remain linked to additional debt, changes in interest rates and reduction in occupancy levels.

Liquidity position: Adequate

As on December 31, 2023, the company had bank balance and liquid investments of Rs. 48.3 crore. The cash flows from operations are expected to be sufficient to cover the debt obligations. Apart from the unencumbered cash and bank balances, the company also maintained DSRA for one month of principal plus interest amounting to ~Rs. 5.0 crore as on December 31, 2023. The company is expected to incur a capex of ~Rs. 28 crore in FY2025-FY2026 for upgradation of the tower, which is expected to be funded by existing cash and liquid investments. ICRA also factors in the willingness of the parent to provide timely financial support, if required.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a significant increase in earnings backed by improvement in occupancy levels and realisation of scheduled escalations, along with reduction in debt levels leading to a sustained improvement in leverage and coverage metrics. Any improvement in the credit profile of the parent entity will also be a positive rating trigger.

Negative factors – Sustained pressure on earnings on account of decline in occupancy levels and/or increase in indebtedness impacting the company’s leverage and coverage metrics could result in a rating downgrade. Any weakening of support or linkage from PEL, or any moderation of the PEL’s credit profile will also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach – Lease Rental Discounting
Parent/Group support	Parent Company: Piramal Enterprises Limited, rated at [ICRA]AA (Stable)/[ICRA]A1+ ICRA expects the parent, PEL, to provide timely financial support to PCTPL, for funding any shortfall in cash flows.
Consolidation/Standalone	Standalone

About the company

Piramal Consumer Products Pvt. Ltd. was formed on July 18, 2012, for dealing in consumer products, durables and ancillary services. The company is a 100% subsidiary of the listed flagship company of Piramal Enterprises Limited. The company acquired Piramal Tower, located at Peninsula Corporate Park, Lower Parel, Mumbai, from Aasan Corporate Solutions Private Limited, a promoter group company of the company’s holding company, PEL, on December 27, 2023. The company now owns and operates a commercial office building, Piramal Tower, in Lower Parel with a total leasable area of 3.1 lakh sq. ft. The company was renamed as Piramal Corporate Tower Private Limited on February 13, 2024.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	1.5	0.7
PAT	1.2	0.5
OPBDIT/OI	94.2%	83.4%
PAT/OI	80.4%	65.2%
Total outside liabilities/Tangible net worth (times)	0.0	0.0
Total debt/OPBDIT (times)	-	-
Interest coverage (times)	7,126.0	2,975.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 28, 2024	-	-	-
1 Term Loans	Long term	510.00	510.0	[ICRA]A+(stable)	-	-	-
2 Fund Based-Cash Credit / OD	Long term	5.00	-	[ICRA]A+(stable)			

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term Fund Based – Term Loans	Simple
Long term Fund based – Cash Credit/ Overdraft	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 – I	Dec 2023	NA	FY2036	435.00	[ICRA]A+(stable)
NA	Term Loan – II	Dec 2023	NA	FY2029	75.00	[ICRA]A+(stable)
NA	Cash credit/ Overdraft	NA	NA	NA	5.00	[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 – Not applicable

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