

August 09, 2024

International Biotech Park Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	25.00	25.00	[ICRA]BBB (Stable); reaffirmed
Lease rental discounting (LRD)	30.00	30.00	[ICRA]BBB (Stable); reaffirmed
Total	55.00	55.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for International Biotech Park Limited (IBPL) favourably factors in the attractive location of its commercial biotech park and residential project within Phase 2 of Hinjewadi, Pune, and the established track record of its parent TCG Urban Infrastructure Holdings Private Limited (TCGUIH) in the commercial real estate business. TCGUIH is the holding company for the real-estate activities of The Chatterjee Group (TCG) and holds an 87.93% stake in IBPL. The TCG Group has a vast track record of developing and leasing commercial projects, having completed eight projects of total 4.2 million square feet (msf), spread across six cities. 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 during the loan tenure.

The rating is, however, constrained by the low occupancy level of its commercial office portfolio at ~50% over the last two years, which, coupled with high corporate overheads, led to modest debt coverage indicators. The company's DSCR is estimated to be below 1 times for FY2025. IBPL's ability to tie-up incremental leases for the pending area at adequate rental rates, in a timely manner, will remain critical from the credit perspective. The parent, TCGUIH, has a demonstrated track record of supporting IBPL by infusing funds over the past few years (infusion of around Rs. 43 crore during FY2020-FY2022). ICRA expects TCGUIH to provide timely financial support to IBPL, for funding shortfall, if any, given their substantial financial linkages, IBPL's strategic importance for the parent and TCGUIH's reputation sensitivity to default. The rating is further constrained by the market risk for the vacant portion of the office portfolio and high tenant concentration risk with top five tenants occupying close to 95% of the total leased area. IBPL is exposed to lease renewal risks for the occupied area with weighted average lease expiry (WALE) of around three years against the remaining LRD tenor of 7.2 years. ICRA notes that leases for around 50% of the leased area are scheduled to expire in FY2025. The company has already renewed leases for 14% of the area along with the scheduled escalations and is expected to renew the leases with the tenants of the balance area.

IBPL is exposed to geographical and asset concentration risks, which are inherent in project-specific special purpose vehicles (SPVs). The rating also factors in the execution and market risk for the company's ongoing residential project, which is currently in the nascent stage with 17% cost incurred as of March 2024.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that IBPL will be supported by the timely support from its parent and favourable location of its assets, enabling it to ramp-up its leasing and saleability of the residential project, and improve its debt coverage indicators, while maintaining adequate leverage indicators.

Key rating drivers and their description

Credit strengths

Established track record and business profile of TCG Group – TCG was founded by Dr. Purnendu Chatterjee in 1989. It has diversified interests, mainly in petrochemicals (Haldia Petrochemicals Limited, rated [ICRA]AA- (Negative)/A1+ (February

2024)), life sciences and healthcare (TCG Lifesciences Pvt Ltd, rated [ICRA]A (Negative)/A1 (April 2024)), real estate, outsourcing and technology services. It is present in the US, Europe, and South Asia. TCGUIH is the holding company for the real-estate activities of the TCG Group in India. TCGUIH, along with its subsidiaries, has a vast track record of developing assets and putting them on lease, having completed eight projects of total 4.2 million square feet (msf), spread over six cities. IBPL has significant financial flexibility by being a part of a large and diversified business group. The parent, TCGUIH, has a demonstrated track record of providing funding support to IBPL for meeting the shortfall arising out of high overheads and has extended corporate guarantee for IBPL's borrowings.

Attractive location of projects – The commercial biotech park and the upcoming residential projects are 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 the Mumbai-Pune Expressway, 22 km from Central Business District, Shivaji Nagar, and 20 km from the Pune railway station. The company also has a track record of delivering 0.5 msf of residential area totalling 400 units, which were developed in two phases, in The Crown Greens.

Credit challenges

Modest debt coverage indicators due to low occupancy and high overheads – The low occupancy level for the company's commercial office portfolio at ~50% over the last two years, coupled with high overheads towards salary and general and administration expenses, resulted in modest debt coverage indicators, with estimated DSCR of below 1 times for FY2025. The parent, TCGUIH, has a demonstrated track record of supporting IBPL by infusing funds over the past few years and remains committed to provide timely financial support to IBPL in future, for funding shortfall, if any, given their substantial financial linkages, IBPL's strategic importance for the parent and TCGUIH's reputation sensitivity to default.

High tenant concentration and exposure to lease renewal risks – The top 5 tenants occupy close to 95% of the leased area and rental income, which exposes the company to lessee concentration risks. IBPL is exposed to lease renewal risks for the occupied area with weighted average lease expiry (WALE) of around three years against the remaining LRD tenor of 7.2 years. Leases for around 50% of the leased area are scheduled to expire in FY2025. ICRA notes that the company has already renewed leases for 14% of the area along with the scheduled escalations and is expected to renew leases with the tenants of the balance area. The company is exposed to revenue concentration risks given its single asset, with future cash flows linked to the performance of the asset.

Exposure to project execution and market risks for residential project – The company remains exposed to execution risks for its ongoing residential project (0.28 msf of saleable area) due to its nascent stage of construction. As of March 2024, 17% of project cost was incurred. Around 40% of the project cost is expected to be funded by customer advances, which exposes the company to funding risks. The project is yet to be launched for sale and, thus, faces high market risk. Nevertheless, the Group's prior experience in the development of residential real-estate projects, mitigates the risk to an extent.

Liquidity position: Adequate

The company's liquidity position is adequate with Rs. 3.8 crore of free cash and cash equivalents as of March 2024. IBPL's rental inflows are higher than its debt servicing obligations (principal and interest); however, high corporate overheads are likely to result in a funding shortfall in FY2025, which is expected to be met by unsecured loans from the parent, TCGUIH. The pending project cost of Rs 126.0 crore for the company's ongoing residential project is expected to be funded by a term loan of around Rs. 35 crore and rest through a mix of own funds/promoter contribution customer advances.

Rating sensitivities

Positive factors – Significant ramp-up in occupancy level at adequate rates leading to healthy debt coverage indicators on a sustained basis, along with improvement in the credit profile of the parent, TCGUIH, could favourably impact the rating.

Negative factors – Sustained pressure on the debt coverage indicators due to the company’s inability in improving the occupancy, or delay in rent receipt from the tenants impacting the liquidity could lead to a rating downgrade. Further, a material deterioration in the credit profile of the parent, TCGUIH, or any weakening in the operational and financial linkages with the parent could lead to a revision in the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Realty - Lease Rental Discounting (LRD)
Parent/Group support	Name of the parent: TCGUIH ICRA expects the parent, TCGUIH, to provide timely financial support to IBPL, for funding any shortfall, given their substantial financial linkages, IBPL’s strategic importance for the parent and parent’s reputation sensitivity to default. TCGUIH has also extended Corporate Guarantee for the debt availed by IBPL.
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 spaces, 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 msf of commercial space across three buildings, namely Genesis Square and Chrysalis Enclave (two buildings) and 0.5 msf 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 msf spread across three towers.

IBPL acquired leasehold interests in the underlying land of International Biotech Park, measuring 80.14 acres from the 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. Till June 2024, 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 acres are marked for residential, four acres have been utilised for biotech office units, 36 acres are vacant, and the balance (four acres) is utilised towards internal infrastructure.

Key financial indicators (audited)

IBPL	FY2023	FY2024*
Operating income	13.4	18.3
PAT	-5.8	-3.8
OPBDIT/OI	7.4%	18.3%
PAT/OI	-43.0%	-20.7%
Total outside liabilities/Tangible net worth (times)	2.1	2.8
Total debt/OPBDIT (times)	54.5	18.5
Interest coverage (times)	0.2	0.7

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; Amounts 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

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Aug 09, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-lease rental discounting (Ird)-fund based	Long-term	30.00	[ICRA]BBB (Stable)	-	-	30-JUN-2023	[ICRA]BBB (Stable)	27-MAY-2022	[ICRA]BBB (Stable)	-	-
Long term-term loan-fund based	Long-term	25.00	[ICRA]BBB (Stable)	-	-	30-JUN-2023	[ICRA]BBB (Stable)	27-MAY-2022	[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 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 loans*	-	-	-	25.00	[ICRA]BBB (Stable)
NA	LRD	Sept-21	9.45%	FY 2032	30.00	[ICRA]BBB (Stable)

Source: Company; * yet to be availed

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Annexure II: List of entities considered for consolidated analysis – Not Applicable

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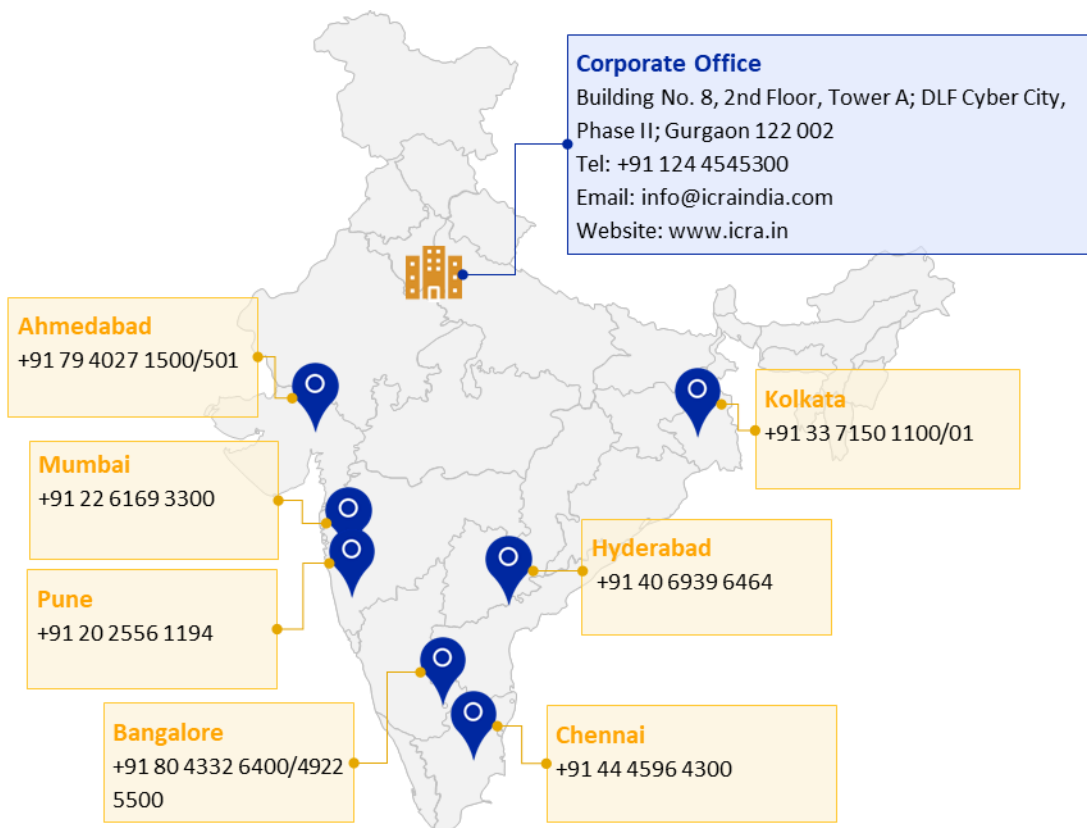
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