

Panchshil Tech Park Private Limited

Facility	Amount	Rating Action
Long Term – Term Loan (Lease Rental Discounting Loan)	Rs. 275.00 crore	[ICRA]BBB+(Stable) Assigned

ICRA has assigned the long-term rating of [ICRA]BBB+ (pronounced as ICRA triple B plus) to the Rs. 275.00 crore¹ term loan (lease rental discounting loan) facility of Panchshil Tech Park Private Limited (PTPL/the company)^{2†}. The outlook on the long-term rating is Stable.

The assigned rating favourably factors in long established track record of Panchshil Group in real estate development, strong parentage with strategic investment from Blackstone Real Estate Partners and association of Panchshil Group with various reputed global brands such as The Trump Organization, JW Marriot, The Ritz-Carlton, and World Trade Centers Association among others. The rating also takes into account reputed tenant profile in PTPL's projects which includes multinational companies like IBM, Concentrix, Siemens and Barclays and long term association with key tenants which coupled with proven track record of renewal of lease agreements provide comfort against the market risk. Both the commercial projects of PTPL have favourable location and good connectivity which has ensured nearly full occupancy over the years. The rating also draws comfort from presence of the escrow mechanism to collect rentals as well as revenues from maintenance operations to service its debt obligations. Further, there is sufficient cushion available between the rent collection date and the EMI due date which provides some inherent cushion for debt servicing in a timely manner.

The rating is, however, constrained by high dependence on timely remittance of rentals by the tenants due to absence of debt service reserve account (DSRA) to absorb any short term liquidity mismatch. The rating also factors in company's thin debt coverage ratios in the short term mainly on account of impending escalations and expected re-leasing at higher rentals. Further, PTPL is also exposed to vacancy risk in the current fiscal as lease period of Siemens and Barclays would expire in Sep-16; though, the company has proven track record of re-leasing the vacant area in short interval of time. Ability of the company to achieve timely and full occupancy at adequate rates will remain crucial for maintaining adequate cash cover in H2 FY2017. ICRA also takes into account moderately high tenant concentration as the top five lessees take up ~75% of the available area; however the risk is partly mitigated by the reputed tenant profile and long term association with them. While assigning the rating, ICRA has also taken note of PTPL's inter-corporate deposits extended to group companies; however some comfort can be drawn from the regular income being generated by the company in the form of interest received on these deposits.

Going forward, PTPL's ability to maintain high occupancy levels, timely remittance of rentals by tenants and re-leasing the vacant area in a timely manner at adequate rates will remain key rating sensitivities.

Company Profile

Panchshil Tech Park Private Limited was incorporated in the year 2005 and is engaged in the development, leasing and maintenance of commercial office space. The company owns and operates two commercial office space properties, namely Tech Park One and Siemens BTS Campus. Tech Park One covers total leasable area of ~9.2 lakh square feet (sq. ft.) and is located at Yerwada, Pune while Siemens BTS Campus has total leasable area of ~2.3 lakh sq. ft. and is located at Hinjewadi, Pune. PTPL is part of the Panchshil Group, which is a leading Pune based real estate developer and Blackstone Real Estate Partners (Blackstone) which is world's largest real estate private equity firm.

Recent Results

During FY2016, PTPL has reported a net profit of Rs 7.4 crore on OI of Rs 66.1 crore.

August 2016

¹ 100 lakh = 1 crore = 10 million

^{2†} For complete rating definition please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.

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