

Indian Express Newspapers (Mumbai) Private Limited

Instrument	Amount	Rating Action
Long Term –Term Loans	Rs. 480 crore	[ICRA]A+ (Stable) assigned

ICRA has assigned a long term rating of [ICRA]A+ (pronounced ICRA A plus)¹ to Rs. 480 crore² bank facilities of Indian Express Newspapers (Mumbai) Private Limited (IENMPL / the company). The outlook on the long term rating is Stable.

The assigned rating takes into account the company's healthy operational profile evidenced by high quality of asset coupled with favourable location, and healthy client profile comprising large and reputed entities in a diverse range of industries. The rating additionally factors in the strong promoter group namely Panchshil Group, which has an established track record of real estate development in Pune and Blackstone Real Estate Partners, which is the world's largest real estate private equity firm. The rating also factors in the presence of an escrow account with well defined cash flow mechanism. The presence of DSRA, at Rs. 10 crore, as well as the healthy liquidity profile provides further comfort.

The rating, however, is constrained by the fall in the occupancy level from ~93% to ~77% in the current fiscal with the exit of two prominent clients. ICRA also factors in the decline in occupancy levels in the south Mumbai micro-market owing to development of alternate business district like BKC and lower Parel. However the company's ability to lease the vacant area at the prevailing rates, as demonstrated in the past provides some comfort. Following the recent vacancy in the property, the monthly cover of net rental (after tax deduction) over the monthly debt servicing obligations is expected to remain under pressure for H2 FY2017, however the healthy liquidity profile of the company alleviates the risk to some extent. The rating is also constrained by the high tenant concentration with top 5 tenants occupying ~40% of total leasable area as well as the rental renewal risks, inherent in the business, with ~40% of the leasable area due for escalation by FY2018. The risk is further accentuated given the premium nature of the property coupled with the shrinking micro-market. The rating additionally factors the low gap between pay-in and pay-out dates which could lead to cash flow mismatches.

Going forward, IENMPL's ability to lease out the vacant area in a timely manner at adequate rates, as well as realise the scheduled escalation remains critical from a credit perspective

Company Profile

Indian Express Newspapers (Mumbai) Private Limited (IENMPL/the company) leases out commercial office space. The company owns and operates a commercial office space property, named Express Towers, located at Nariman Point, Mumbai. The said space is located on a plot of 1.46 acres and comprises single tower with total leasable area of ~4.5 lakh square feet (sqft). IENMPL held by Panchshil Techpark Pvt. Ltd. (PTPL) (holding 51.07% stake), is a part of the Panchshil Group, which is a leading Pune based real estate developer in partnership with Blackstone Real Estate Partners (BREP) (holding 46.82% stake), the world's largest real estate private equity firm.

During FY16, the company reported an operating income of Rs. 124.71 crore and net loss of Rs. 31.88 crore as against an operating income of Rs. 102.22 crore and a net loss of Rs. 114.47 crore in FY15.

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¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² 100 lakh = 1 crore = 10 million



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