

TRIL Infopark Limited

February 26, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund based-Term Loan	1000.0	[ICRA]AA- (SO) (Stable); Assigned
Non-Convertible Debenture (NCD)	900.0	[ICRA]AA- (SO) (Stable); Assigned
Total	1900.0	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long -term rating of [ICRA]AA- (SO) (pronounced ICRA double A minus structured obligation) to the Rs. 1000-crore¹ term-loan facility and Rs.900 crore NCD programme of TRIL Infopark Limited (TIL)². The outlook on the long-term rating is 'Stable'. The SO rating here signifies the presence of a well-defined escrow mechanism and payment structure for servicing of the rated debt.

Rationale

The assigned rating favourably factors in the almost full occupancy of TIL's sole property 'Ramanujan IT city, Chennai' given location strength. The project is the second largest IT/ITES SEZ in Chennai with one of the highest rentals in the IT/ITES sector. The rating also takes into account the strong tenant profile with property leased out to various corporates such as Cognizant Technology Solutions India Pvt. Ltd., Amazon India, Tata Consultancy Services, Infosys, Citi Bank, HP etc. The lease period for most of the tenants at the property is five to ten years with a lock-in period of three years. Since most of the leases have been tied-up in the recent past, the lock-in period upto FY2020 for these provides revenue visibility in the near-term. The cash flow cover (net rental/repayments) for the property is healthy. Further, TIL has also provided an undertaking to keep Rs. 60 crore of fund based limits (or equivalent liquidity in any other form) undrawn representing approximately a quarters debt service obligation at all times during the tenure of the rated facilities which provides additional liquidity support. The rating also takes into account TIL's strong parentage by virtue of being a part of the Tata Group which is a diversified and reputed Indian conglomerate having interests in diverse businesses such as Steel, real estate, consumer products, industrial engineering, information technology, energy, chemicals etc.

The rating is, however, constrained by the moderate lessee concentration with the top-5 tenants occupying 50.13% of the total leasable area. The rating is also exposed to lease vacancy risk as well as rental escalation risk; the prevailing lease rentals rates are higher than TIL average rental rate thus mitigating the vacancy risk to some extent. The rating is further constrained by the geographically concentrated nature of operations with the entire leasable area at a single location in Chennai and pending execution risk given the service apartments is under-construction. However, the construction of service apartments is progressing well and is at the advanced stage.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Outlook: Stable

ICRA believes TIL will continue to earn timely and stable rental income on the back of strong profile of the tenants, longer-term lease period and the presence of lock-in period. The outlook may be revised to 'Positive' if the company's debt protection metrics improves significantly due to reduction in interest cost and is able to achieve healthy rental escalations resulting in more than expected cash inflows. The outlook may be revised to 'Negative' if the occupancy level of the company's existing property declines significantly or the company undertakes additional debt weakening the financial risk profile of the company.

Key rating drivers

Credit strengths

Attractive location of the property – The average rental for the property remains highest in the Chennai region especially for the IT/ITES sector on account of attractive location of the property.

Full occupancy level and presence of reputed entities – The company owns 45.17 lakh sqft of leasable area at Ramanujan IT City property, which is completely leased out. The tenants include Cognizant Technology Solutions India Pvt. Ltd, Amazon India, Tata Consultancy Services, Infosys, Citi Bank, AstraZeneca, HP etc. Strong tenant profile ensures stable and timely rental income during the lease period.

Presence of lock-in period up to FY2020 – Since most of the leases have been tied-up in the recent past, the lock-in period upto FY2020 for these provides revenue visibility in the near-term.

Strong coverage metrics – The cash flow cover (net rental/ repayments) for the property is healthy. Further, TIL has also provided an undertaking to keep Rs. 60 crore of fund based limits (or equivalent liquidity in any other form) undrawn representing approximately a quarters debt service obligation at all times during the tenure of the rated facilities which provides additional liquidity support.

Profile of the parent - TIL is a subsidiary of Tata Realty and Infrastructure Limited (TRIL, rated [ICRA]A1+), a 100% subsidiary of Tata Sons Limited (rated [ICRA]AAA (Stable)/[ICRA]A1+) which is a diversified and reputed Indian conglomerate having interests in diverse businesses such as Steel, real estate, consumer products, industrial engineering, information technology, energy, chemicals etc.

Credit weaknesses

Moderate lessee concentration at the property – Lease concentration risk remains moderate as the top-5 tenants occupies 50.13% of the total leasable area (revenue contribution of 48%). However, long-term nature of the leases (majority of them are 5 -10 years in nature) and with majority of the leases being relatively new provides some comfort.

Project exposed to execution risk – The project is exposed to execution risks as construction of service apartments is yet to be completed. However, the construction of service apartments is progressing well and is at the advanced stage.

Exposed to vacancy and rental escalation risks – The company remains exposed to lease vacancy risk as is inherent in any commercial property. However, healthy profile of the tenants and longer-term lease period provide comfort. Also, the prevailing lease rentals rates are higher than TIL average rental rate thus mitigating the vacancy risk to some extent. The company also faces moderate rental escalation risk as 12% of the lease is due for escalation over the next 18 months.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Rating Methodology for Debt Backed by Lease Rentals](#)

About the company:

Incorporated in March 2008, TRIL Infopark Limited (TIL) is an 83.85% subsidiary of TRIL, with the balance stake held by Tamil Nadu Industrial Development Corporation (6.67%) and Indian Hotels Company Ltd (9.48%). The company has developed an IT park, named Ramanujan IT City, located at Taramani, Chennai. The project comprises of commercial office space with six buildings, all operational, having a total leasable area of 45.17 lakh sq. ft. The project also includes service apartments and convention Centre which is currently under construction.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	316.4	383.2
PAT (Rs. crore)	189.5	(31.3)
OPBDIT/ OI (%)	67.9%	72.5%
RoCE (%)	16.1%	6.5%
Total Debt/ TNW (times)	5.4	6.3
Total Debt/ OPBDIT (times)	12	11
Interest coverage (times)	1.1	1.3
NWC/ OI (%)	-40%	-53%

Source: TIL, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating February 2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
1 Term Loan	Long Term	1000.0	1000.0	[ICRA]AA-(SO) (Stable)	-	-	-
2 NCD	Long Term	900.0	900.0	[ICRA]AA-(SO) (Stable)	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Oct 2017	8.2%	FY 2030	1000.0	[ICRA]AA- (SO) (Stable)
INE583J07023	NCD	March 2015	10.5%	March 2018	900.0	[ICRA]AA- (SO) (Stable)

Source: TIL

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