

February 24, 2020

Cyber Pearl Information Technology Park Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	175.00	175.00	[ICRA]BBB+ (Stable); Reaffirmed
Non-Convertible Debenture Programme	75.00	75.00	
Total	250.00	250.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation draws comfort from the strong parentage of Cyber Pearl Information Technology Park Private Limited (CPITPPL), a wholly-owned step-down subsidiary of Singapore-based Ascendas India Trust (a-iTrust). The rating also considers the established operational track record of CPITPPL's assets – CyberPearl in Hyderabad and CyberVale in Chennai – which have reported nearly 100% occupancy over the past few years. CPITPPL's properties have been generating stable fund flows from operations (FFO), with estimated FFO / finance charges at 3.3 times (for FY2020). CPITPPL has prepaid Rs 40 crore of the first series of NCDs during FY2020 from its surplus cash flows after servicing interest.

However, the ratings are constrained by the refinancing risk associated with bullet repayment for the two rated NCDs, with tenures of five years and 20 years, respectively. The refinancing risk for the first series (with an original maturity of 5 years ending on March 2020) is partly mitigated by the clause in the NCD terms, which provides for extension of the NCD maturity based on the mutual agreement between CPITPPL and the debenture holders. Moreover, the moderate leverage in CPITPPL (estimated Debt / OPBTIDA of 2.1 for FY2020) provides significant financial flexibility. The rating is further constrained by the tenant concentration risk (Cyber Vale is fully occupied by a single tenant) as well as the lease rollover risk since majority of the leases will be outside the lock-in period by the end of FY2020.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that CPITPPL will continue to benefit from its strong parentage and attractive project location of its properties and it is likely to maintain steady cash accruals in the near to medium term.

Key rating drivers and their description

Credit strengths

Strong parent profile – CPITPPL is a wholly owned by Singapore-based a-iTrust, which has an established track record in leasing and maintaining commercial real estate. a-iTrust is promoted by Capitaland Group, one of the largest diversified property developers in Asia. a-iTrust has an area of 12.5 mn sq ft (million square feet) completed floor area, spread across Chennai, Bangalore, Hyderabad and Pune and land bank that can generate 7.1 mn sq ft floor area.

Reputed tenant profile and healthy occupancy level– The tenant profile of CPITPPL consists of reputed clients such as Renault Nissan, and General Electric. The tenants in the company's properties have leased additional area in the newer buildings, resulting in near full occupancy in both the properties of CPITPPL. Nonetheless, ICRA notes that the tenant

concentration in the CyberVale property is very high, with a single tenant occupying the entire office premise. Any vacancy by this tenant could significantly impact the occupancy and revenue profile of CPITPPL.

Stable cash flow from operations and healthy debt coverage metrics – The rated NCDs do not have any amortization during the tenure and are due for repayment as bullet at the end of the tenure. CPITPPL's properties have been generating stable fund flows from operations (FFO), with estimated FFO / finance charges at 3.3 times (for FY2020). CPITPPL has prepaid Rs 40 crore of the first series of NCDs during FY2020 from its surplus cash flows after servicing interest.

Credit challenges

Risk of refinancing NCDs because of bullet-payment structure – The two NCD series have tenures of five years and 20 years, with a bullet repayment structure at the end of tenure. This exposes the company to refinancing risk. However, the clause in the NCD terms, which provides for extension of the NCD maturity based on a mutual agreement between CPITPPL and the debenture holders, partly mitigates the risk for the first series of NCD that has Rs 92.5 crore to be repaid in March 2020. The debenture holder is also a subsidiary of a-iTrust. The company is in the process of extending the maturity for the 92.5 crore Series I NCD for a period of additional 15 years and has already received the in-principle approval from BSE (Bombay Stock Exchange) for the same. Further, the company has moderate leverage, with estimated Debt/OPBITDA of 2.1 times in FY2020, which provides it with significant financial flexibility to refinance the NCDs, if required.

Exposure to lease rollover risk – By the end of FY2020, around half of the leased area portfolio will be outside the lock-in period, exposing the company to lease rollover risk. The risk is mitigated to some extent by the commitment shown by existing tenants in leasing out additional area and also by the fact that the existing tenants have invested in fit outs.

Liquidity position: Adequate

The rental income receipts of CPITPPL is expected to provide a comfortable cover over the company's operational and interest obligations at the current occupancy levels and rent rates. The first series NCD which currently has an outstanding of Rs 92.5 crore has a bullet repayment in March 2020. However, a clause in the NCD terms provides for extension of the NCD maturity based on mutual agreement between CPITPPL and the debenture holders (a Group Company). The company is expected to extend the maturity for the same by a period of 15 years. The second series NCD of Rs 33.25 crore has a long tenure of 20 year.

As the company has semi-annual interest servicing, it builds up cash reserves ahead of the scheduled payments dates. The company had cash balance and liquid investments of Rs 64.1 crore and Rs 31.5 crore, as on March 2019 and September 2019, respectively, prior its scheduled half yearly interest payment of Rs 11.5 crore and Rs 9.5 crore respectively.

Rating sensitivities

Positive triggers – ICRA could upgrade CPITPL's rating if the company through increased generation of lease rentals reduces leverage by pre-payment of debt. Specific credit metrics that could lead to an upgrade of rating include OPBITDA/ Interest above 4 times on a sustained basis.

Negative triggers – Negative pressure on CPITPL's rating could emerge if a refinancing risk emerges on account of delay in extension of maturity of series one NCD. Further negative pressure on the rating could also arise, if there is delay in remittance of lease rentals from existing tenants or a drop in the occupancy levels weakens the liquidity position. Specific parameters that could result in downgrade CPITPL's rating include OPBITDA/Interest below 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for debt backed by lease rentals
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Cyber Pearl Information Technology Park Private Limited (the company) is engaged in the business of developing, operating and maintaining office parks. At present, it operates two properties, namely CyberPearl, an IT park with 4.4 lakh square feet (sqft) of leasable space located in a six-acre campus in Hyderabad, and CyberVale, an IT park with 8.5-lakh sqft park leasable space in Chennai). CPITPPL is a wholly owned step-down subsidiary of Ascendas India Trust (aTrust), a Singapore-listed business trust that owns office and industrial parks in various cities of India.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	73.95	77.84
PAT (Rs. crore)	-0.70	13.06
OPBDIT/OI (%)	70.77%	72.81%
RoCE (%)	12.71%	14.62%
Total Outside Liabilities/Tangible Net Worth (times)	2.04	1.92
Total Debt/OPBDIT (times)	3.17	2.92
Interest Coverage (times)	1.65	2.47
DSCR	1.68	2.44

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
	Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
				24-Feb-2020	28-Feb-2019	22-Jan-2018	10-Jan-2017
1 NCD	Long Term	175.00	92.50	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2 NCD	Long Term	75.00	33.25	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)

Amount in Rs. crore

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE660H08047	NCD I	30-Mar-15	13.65%	30-Mar-20	175.00	[ICRA]BBB+ (Stable)
INE660H08054	NCD II	11-Mar-16	13.65%	11-Mar-36	75.00	[ICRA]BBB+ (Stable)

Source: Cyber Pearl Information Technology Park Private Limited

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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