

March 31, 2021

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, and their reputed tenant profile. CPITPPL's properties have been generating stable fund flows from operations (FFO), with an estimated FFO / finance charge at 2.7 times (for FY2021). ICRA notes that CPITPPL has extended the maturity of its Series I NCD (originally maturing in March 2020) by another 15 years, thereby mitigating the refinancing risk.

However, the ratings are constrained by the exposure to the lease rollover risk as the lock-in period is expiring for more than half of the leased area portfolio. The vacancy risk has been aggravated by the pandemic-induced lockdown, when leases were terminated in certain areas in FY2021. The rating is further constrained by the tenant concentration risk, since Cyber Vale is fully occupied by a single tenant.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's expectations that CPITPL will continue to benefit from the strong parentage and project location of its properties and it is likely to maintain healthy coverage over its finance cost in the near to medium term.

Key rating drivers and their description

Credit strengths

Strong parent profile – CPITPPL is 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 13 mn sq ft (million square feet) completed floor area, spread across Chennai, Bangalore, Hyderabad and Pune and a land bank that can generate 7.7 mn sq ft floor area.

Reputed tenant profile and established operational track record– The company has been operating both its assets at near full occupancy. Further, the tenant profile consists of reputed clients such as Renault Nissan, and General Electric. Nonetheless, ICRA notes that the company is exposed to vacancy risk as a result of the Covid-19 pandemic.

Stable cash flow from operations and healthy debt coverage metrics – The rated NCDs do not have any amortisation 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 2.7 times (for FY2021).

Credit challenges

Exposure to lease rollover risk – By the end of FY2021, more than 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 fact that the existing tenants have invested in fit outs.

Vulnerable to vacancy risk due to Covid-19 impact: The office properties remain vulnerable to vacancy risk in the face of Covid-19 pandemic, with leases being terminated for certain areas in FY2021. The overall occupancy is projected to decrease to 89.6% in FY2022 from the earlier level of 99.5% in FY2020.

Exposure of Cyber Vale to concentration risk: The tenant concentration in the CyberVale property is very high, with a single tenant occupying the entire office premise. ICRA notes that the tenant has terminated the lease for around 1.14 lakh sqft of the occupied area in FY2021. Any further vacancy by this tenant could significantly impact the occupancy and revenue profile of CPITPPL.

Liquidity position: Adequate

The rental income receipts of CPITPPL are expected to provide a comfortable cover over the company's operational and interest obligations at the current occupancy level and rent rates. There are no imminent principal repayment obligations and the company currently has two series of NCD due in March 2035 and March 2036. Due to the semi-annual interest servicing, the company builds up cash reserves ahead of the scheduled payments dates. The company currently has to service the interest as on March and September debt, within 15 days of interest due date. The company had cash balance and liquid investments of Rs 55.4 crore as on March 2020 and Rs 76.5 crore as on September 2020, after its scheduled half yearly interest payment.

Rating sensitivities

Positive factors – 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 3.5 times on a sustained basis.

Negative factors – Negative pressure on CPITPL's rating could emerge if delay in remittance of lease rentals from existing tenants or a drop in the occupancy levels weakens the liquidity position. Specific parameters that could 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 involved 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 (a-iTrust), a Singapore-listed business trust that owns office and industrial parks in various cities of India.

Key financial indicators (audited)

LTHL Consolidated	FY2018	FY2019	FY2020
Operating Income (Rs. crore)	74.0	77.8	80.6
PAT (Rs. crore)	-0.7	13.1	15.3
OPBDIT/OI (%)	70.8%	72.8%	71.4%
RoCE (%)	12.7%	14.6%	15.4%
Total Outside Liabilities/Tangible Net Worth (times)	2.0	1.9	1.4
Total Debt/OPBDIT (times)	3.2	2.9	2.2
Interest Coverage (times)	1.7	2.5	3.0
DSCR (times)	1.7	2.4	0.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 28, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018	
					Mar 31, 2021	Feb 24, 2020	Feb 28, 2019	Jan 22, 2018	
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)	

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
INE660H08062	NCD I	30-Mar-15	13.65%	28-Mar-35	175.00	[ICRA]BBB+ (Stable)
INE660H08054	NCD II	11-Mar-16	13.65%	10-Mar-36	75.00	[ICRA]BBB+ (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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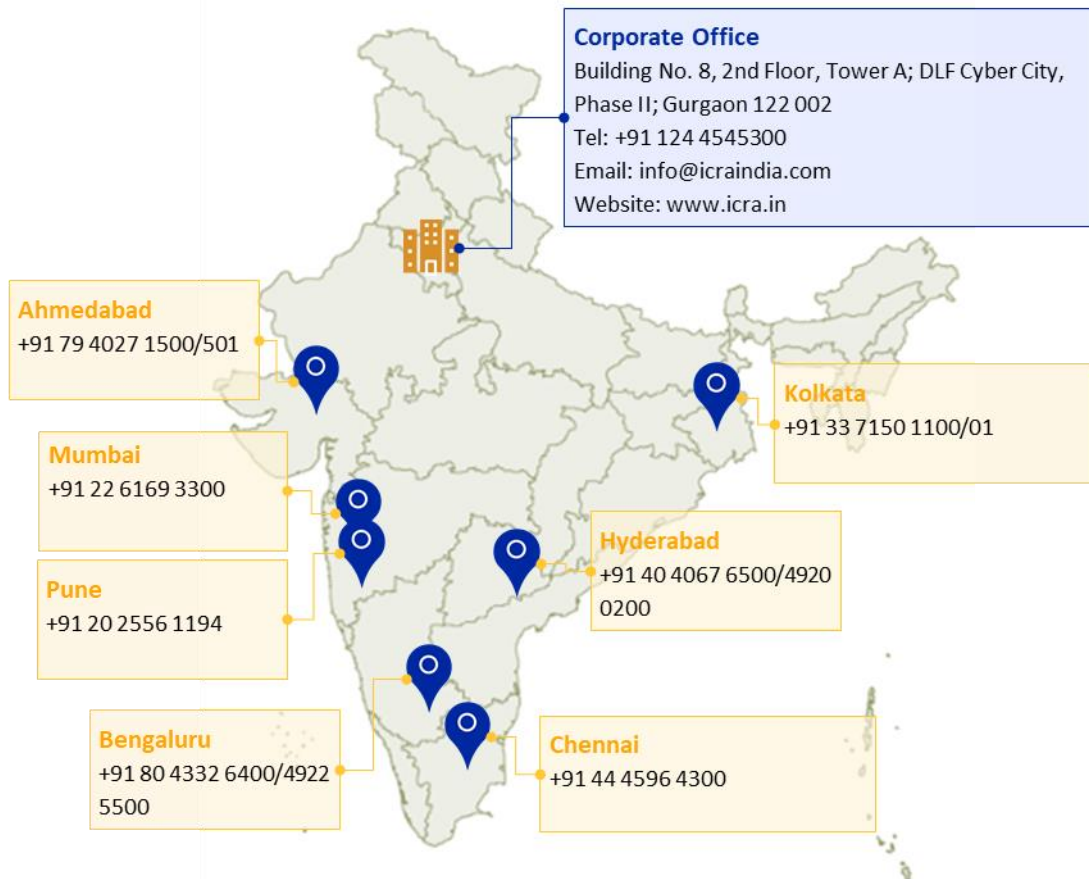
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