

March 29, 2022

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 (NCDs)	250.00	250.00	[ICRA]BBB+ (Stable); Reaffirmed
Total	250.00	250.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation of Cyber Pearl Information Technology Park Private Limited (CPITPPL) continues to factor in the strong parentage as it is a wholly-owned step-down subsidiary of the Singapore-based Ascendas India Trust (a-iTrust), which owns high-quality commercial office space totalling 15 million square feet (mn sqft) across Chennai, Bangalore, Hyderabad and Pune. The rating considers the favourable location of the assets held by CPITPPL with an established operating track record for more than a decade. The company's tenant profile is strong, which includes reputed multinational companies such as Renault Nissan, General Electric, Cipher Cloud India Pvt Ltd, etc. ICRA also notes its healthy cash flow from operations (CFO) in FY2022, which is expected to continue in FY2023 as well, with an estimated CFO/interest cover of 3 times in FY2023.

The rating, however, is constrained by the company's exposure to lease rollover risk with 48% of the leased area portfolio outside of the lock-in terms. The weighted average lease expiry (WALE) remains low for both CyberPearl and CyberVale at 1.9 years and 2.3 years, respectively. However, the risk is mitigated to some extent as the existing tenants have invested in fit outs. The tenant concentration in the CyberVale property is very high, with a single tenant occupying the entire office premise. While the occupancy at CyberPearl is healthy at 90%, ICRA notes that the tenant at CyberVale has terminated the lease for around 1.8 lakh sqft of the occupied area in the last one year, reducing the occupancy levels to 78% from 99%. Any further vacancy by this tenant could significantly impact its occupancy and revenue profile. Notwithstanding the reduced occupancy, CPITPPL's debt coverage metrics remain comfortable. The rating is also constrained by the refinancing risk associated with the bullet repayment for the non-convertible debentures (NCDs). Nonetheless, this risk is partly mitigated by the long tenure of the NCDs. The rated NCDs are issued to another wholly-owned subsidiary of a-iTrust, which provides financial flexibility to some extent.

The Stable outlook on the [ICRA]BBB+ rating reflects benefit from the favourable location of assets, a reputed clientele and the company is likely to maintain healthy interest cover in the medium term. Also, ICRA believes that the company will continue to benefit from its strong parentage, lending high financial flexibility.

Key rating drivers and their description

Credit strengths

Strong parent profile – CPITPPL is wholly-owned by the Singapore-based a-iTrust, which has an established track record in leasing and maintaining commercial real estate assets in India. a-iTrust is promoted by Ascendas-Capital and Group, one of the largest diversified property developers in Asia. a-iTrust has developed 15 mn sqft completed floor area, spread across Chennai, Bangalore, Hyderabad and Pune and a land bank that can generate 7.5 mn sqft floor area.

Reputed tenant profile and established track record – The tenant profile includes reputed names such as Renault Nissan, General Electric, Cipher Cloud India Pvt Ltd, etc. Further, the properties have established track record of operations for more than a decade and are favourably located.

Strong cash flows from operations and healthy coverage metrics – CPITPPL’s CFOs remains healthy in FY2022, which is expected to continue in FY2023 as well, with estimated CFO/interest cover of 3 times in FY2023. The long-term leases, association with strong tenants and favourable market are expected to generate robust cash flow from operations in the near to medium term.

Credit challenges

Exposure to lease rollover risk – By the end of FY2022, 48% of the leased area portfolio will be outside the lock-in period. Further, the WALE for CyberPearl is 1.9 years and for CyberVale is 2.3 years, 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.

High tenant concentration risk at CyberVale – 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 1.8 lakh sqft of the occupied area in the last one year, reducing the occupancy levels to 78% from 99%. Any further vacancy by this tenant could significantly impact the company’s occupancy and revenue profile. Notwithstanding the reduction in occupancy, CPITPPL’s debt coverage metrics remain comfortable.

Risk of refinancing NCDs because of bullet-payment structure – The NCDs have to be paid at the end of the term in FY2035 and FY2036 by means of a bullet payment. This exposes the company to refinancing risk. However, the risk is mitigated by the long tenure of the instrument and the low loan-to-value ratio, which would support CPITPPL’s refinancing ability. The rated NCDs will be issued to another wholly-owned subsidiary of a-iTrust, which provides financial flexibility to some extent.

Liquidity position: Adequate

The rental income receipts of CPITPPL are expected to provide a comfortable cover over its 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 NCDs 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. It had free cash balance and liquid investments of Rs 89.5 crore as of March 2021 and Rs. 105.8 crore as of September 2021.

Rating sensitivities

Positive factors – ICRA could upgrade CPITPPL’s rating if there is a significant increase in rental income and prepayment of debt resulting in improvement in the overall credit metrics.

Negative factors – Negative pressure on CPITPPL’s rating could emerge if delay in remittance of lease rentals from the existing tenants or a drop in the occupancy levels weakening the liquidity position. Specific parameters that could downgrade CPITPPL’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	Parent Company: Ascendas India Trust (a-iTrust)
Consolidation/Standalone	The rating is based on the company’s standalone financial statements

About the company

CPITPPL is involved in the business of developing, operating and maintaining office parks. At present, it operates two properties, namely CyberPearl, an IT park with 4.3 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 across various Indian cities.

Key financial indicators

	FY2020	FY2021	9M FY2022*
Operating Income (Rs. crore)	80.6	79.5	54.6
PAT (Rs. crore)	15.3	11.8	11.5
OPBDIT/OI (%)	71.4%	75.3%	74.0%
PAT/OI (%)	19.0%	14.8%	21.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.4	
Total Debt/OPBDIT (times)	2.2	2.1	
Interest Coverage (times)	3.0	3.1	

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in	
					Mar 29, 2022	Mar 31, 2021	Feb 24, 2020	Feb 28, 2019	
1	NCD-1	Long Term	175.00	92.50	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	
2	NCD-2	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

Instrument	Complexity Indicator
NCDs	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE660H08062	NCD-1	Mar-15	13.65%	Mar-35	175.0	[ICRA]BBB+ (Stable)
INE660H08054	NCD-2	Mar-16	13.65%	Mar-36	75.0	

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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