March 13, 2023

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-I*

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 CapitaLand India Trust (CLINT, formerly known as Ascendas India Trust (a-iTrust)), which at present owns high-quality commercial office space encompassing an area of 15.5 million square feet (msf) across Bangalore, Chennai, 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 and healthy occupancy. At present, CPITPPL operates two properties, namely CyberPearl, an IT park, located in a six-acre campus in Hyderabad, with 4.4 lakh sqft of leasable space (with 94% occupancy as of December 2022), and CyberVale, an IT park in Chennai, with 8.5-lakh sqft park leasable space (with 78% occupancy as of December 2022). The company's tenant profile is strong, which includes reputed companies such as Renault Nissan, General Electric, Cipher Cloud India Pvt Ltd, etc. ICRA notes its healthy cash flow from operations in FY2023 and FY2024 and the CFO/interest is estimated to be around 3.0 times on the NCDs issued by the company.

The rating, however, is constrained by the company's exposure to the lease rollover risk with 26% of the leased area portfolio due for renewal in FY2024. The weighted average lease expiry (WALE) remains moderate for both CyberPearl and CyberVale at 1.9 years and 2.8 years, respectively. However, the risk is mitigated to some extent as the existing tenants have invested in fit outs and the rentals are 10-15% lower than the micro-market. 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 its occupancy and revenue profile. The rating is constrained by the refinancing risk associated with the bullet repayment for the NCDs. Nonetheless, this risk is partly mitigated by the long tenure of the NCDs and the rated NCDs are issued to another wholly-owned subsidiary of CLINT, which provides financial flexibility to some extent.

The Stable outlook on the [ICRA]BBB+ rating reflects benefit from the favourable project location and a reputed clientele, supporting a stable occupancy. 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 CapitaLand India Trust (CLINT, formerly known as Ascendas India Trust (a-iTrust)), which has an established track record in leasing and maintaining commercial real estate assets in India. CLINT is promoted by Ascendas-Capital and Group, one of the largest diversified property developers in Asia. CLINT has developed 15.5 msf of completed floor area, spread across Chennai, Bangalore, Hyderabad and Pune and a land bank that can generate 7.7 msf of 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 are favourably located and have established track record of operations for more than a decade.

Strong cash flows from operations – CPITPPL's cash flow from operations in FY2023 and FY2024 and the CFO/interest is estimated to be around 3.0 times on the NCDs issued by the company. 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 – The lease period of around 31% of the total leased area in CyberPearl and around 20% of the leased area in CyberVale shall be expiring in FY2024. Further, the weighted average lease expiry (WALE) is moderate both for CyberPearl, at 1.9 years, and for CyberVale, at 2.8 years, exposing the company to the lease renewal risk. The risk is mitigated to some extent as the existing tenants have invested in fit outs and the rentals are 10-15% lower than the micro-market.

High tenant concentration risk at CyberVale – The tenant concentration in the CyberVale property is very high, with a single tenant, Renault Nissan Technology & Business Centre Pvt Ltd., occupying around 78% of the total leasable area. Any further vacancy by this tenant could significantly impact the company's occupancy and revenue profile.

Risk of refinancing NCDs because of bullet payment structure – The NCDs must 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 CLINT, which provides financial flexibility to some extent.

Liquidity position: Adequate

As of January 2023, the company has free cash and cash equivalents of Rs. 60 crore. In FY2023, it has invested Rs. 40 crore as loans and advances to Group companies at an interest rate of 13%. The interest obligation in FY2023 and FY2024 is Rs. 17 crore each and can be comfortably serviced through the estimated cash flow from the operations.

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 an improvement in the overall credit metrics

Negative factors – Negative pressure on CPITPPL's rating could emerge if there is a significant delay in receipt of lease rentals or a material decline in the occupancy levels weakening the liquidity position. Specific credit metrics 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	Not Applicable
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 CapitaLand India Trust (CLINT, formerly known as Ascendas India Trust (a-iTrust)), a Singapore-listed business trust that owns office and industrial parks across various Indian cities.

Key financial indicators (audited)

CPITPPL Standalone	FY2021	FY2022	9M FY2023*
Operating income	79.5	73.4	58.2
PAT	11.8	15.1	15.2
OPBDIT/OI	75.3%	74.0%	74.0%
PAT/OI	14.8%	20.6%	26.1%
Total outside liabilities/Tangible net worth (times)	1.4	1.2	1.1
Total debt/OPBDIT (times)	2.1	2.3	2.2
Interest coverage (times)	3.1	2.9	3.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: **Not applicable**

Any other information: **None**

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Feb 28, 2023 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Mar 13, 2023	Mar 29, 2022	Mar 31, 2021	Feb 24, 2020
1	**NCDs**	Long term	175.0	-	**[ICRA]BBB+(Stable)**	**[ICRA]BBB+(Stable)**	**[ICRA]BBB+(Stable)**	**[ICRA]BBB+(Stable)**
2	**NCDs**	Long term	75.0	-	**[ICRA]BBB+(Stable)**	**[ICRA]BBB+(Stable)**	**[ICRA]BBB+(Stable)**	**[ICRA]BBB+(Stable)**

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: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	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	[ICRA]BBB+(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not applicable.

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