December 29, 2020

VITP Private Limited: [ICRA]BBB (Stable) assigned to proposed NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	350.00	350.00	[ICRA]BBB (Stable); Outstanding
Proposed Non-Convertible Debenture Programme-I	300.00	300.00	[ICRA]BBB (Stable); Outstanding
Proposed Non-Convertible Debenture Programme-II	0.00	30.00	[ICRA]BBB (Stable); Assigned
Total	**650.00**	**680.00**	

**Instrument details are provided in Annexure-1*

Rationale

VITP Private Limited (VITP) has increased the proposed NCD issuance in the current financial year to Rs 330 crore from the earlier rated amount of Rs 300 crore. The proceeds will largely used to provide advances on back-to-back terms to third party developers. VITP's holding company has entered / proposes to enter into agreements with the developers to acquire certain properties on completed basis.

The rating continues to positively factor in the strong parentage of VITP as it is a wholly-owned step-down subsidiary of Singapore-based Ascendas India Trust (a-iTrust), which at present owns high-quality commercial office space totalling 13 million square feet (mn sqft) across Chennai, Bangalore, Hyderabad and Pune. Currently, VITP owns an IT park in Hitec City, Hyderabad, named 'International Tech Park Hyderabad' (ITPH) with leasable area of 1.48 mn sqft and another IT SEZ park in Hinjewadi, Pune, named 'aVance Pune', with a leasable area of 1.47 mn sqft. The rating draws support from the established operating track record of ITPH with strong tenant profile, high occupancy levels and stable cash flows from operations. The rating draws comfort from the near-full occupancy achieved in aVance Pune. VITP's cash flows from operations in FY2021 are estimated to be around 2 times of the accrued coupon on the NCDs and ICDs issued by the company.

The rating, however, is constrained by the financing risk associated with the planned redevelopment of one of the commercial office blocks in ITPH. In the first phase of its redevelopment, the company has demolished around 0.2 mn sqft of office area in one of the blocks (Auriga) and is currently reconstructing it with a total leasable area of 1.2 mn sqft. The redevelopment will be funded through internal accruals as well as funding support from a-iTrust, if required. The rating is also 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 low leverage. The rated NCDs will be issued to another wholly-owned subsidiary of a-iTrust, which provides financial flexibility to some extent. ICRA further notes that issuance of such NCDs for investments in third party SPVs (codeveloper of properties proposed to be acquired by the Group) has resulted in high overall leverage of the company.

The impact of Covid-19 related lockdown on the company's revenues and cashflows has been limited in the near term with no material impact on collections or occupancy. However, any weakening of the operational parameters over the medium term will be key rating monitorable. The stable outlook on the rating reflects ICRA expectation VITP will continue to benefit from its established tenant profile, attractive project locations and regular inflow of lease-rental income.

Key rating drivers and their description

Credit strengths

Strong parent profile – VITP is wholly owned by 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-Capitaland Group, one of the largest diversified property developers in Asia. a-iTrust has an area of 13 mn sqft completed floor area, spread across Chennai, Bangalore, Hyderabad and Pune and a land bank that can generate 7.7 mn sqft floor area.

Reputed tenant profile and near-full occupancy – The tenant profile of ITPH as well as aVance Pune consists of reputed clients such as Cigniti, AT&T, Accenture Services, and L&T infotech. The occupancy in the projects is close to 100% of the leasable area, due to favourable location in Madhapur (Hyderabad) and Hinjewadi (Pune), and the high quality of development.

Strong cash flows from operations - VITP's cash flow from operations in FY2021 is expected to be around 2 times of the accrued coupon on the debt availed by the company (excluding CCDs issued to the holding 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

Large planned capital expenditure with dependence on funding support from parent – The company has demolished and is currently redeveloping 0.24 mn sqft of an existing building in ITPH, Auriga block. The redeveloped building will have 1.2 mn sqft leasable area. The funding for the redevelopment will be done through internal cash accruals as well as funding support from a-iTrust, if required.

Risk of refinancing NCDs because of bullet-payment structure – The NCDs have to be paid at the end of the term 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 the refinancing ability of VITP. The rated NCDs will be issued to another wholly-owned subsidiary of a-iTrust, which provides financial flexibility to some extent.

Increased leverage- VITP has issued CCDs to holding company and is issuing the proposed NCDs to group entities, to facilitate future acquisitions by the group. Such instruments have led to increase in overall leverage for the company. However such instruments are secured by back to back arrangements and are to be serviced from the repayments/interest income from the investee companies. Further, as per the terms of the proposed NCD issuance of Rs 330 crore, interest is payable only based on availability of sufficient cash flows.

Liquidity position: Adequate

The company's cash flow from operations are expected to adequately cover the coupon payments due on the NCDs issued by the company. The payments on the proposed NCDs and outstanding CCDs will be supported by back-to-back terms on the corresponding investments. Notwithstanding the healthy cash flow from operations, the capex outflows of the company are expected to be substantial in the near to medium term. ICRA expects the company to receive adequate funding support from the Group towards the ongoing capital expenditure programme. The company had cash balance and liquid investments of Rs 38.6 crore as on March 31, 2020.

Rating sensitivities

Positive triggers – Any upward movement in the rating is unlikely amidst the significant capex that VITP will incur in the near to medium term.

Negative triggers – Negative pressure on VITP's rating could emerge if the capital expenditure planned for the redevelopment or investments in NCDs of co-developer SPVs, impairs the ability to generate surpluses to support the servicing of rated NCDs. Further negative pressure on the rating could also arise, if any delays in remittance of lease rentals from existing tenants or a drop in the occupancy levels weakens the liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Debt Backed By Lease Rentals
Parent/Group Support	Parent Company: Ascendas India Trust (a-iTrust) ICRA expects VITP's parent, a-iTrust, to be willing to extend financial support to VITPPL, should there be a need. There also exists a consistent track record of a-iTrust having extended timely financial support to VITTPL in the past (through its group companies), whenever a need has arisen.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

VITP Private Limited (VITP) is engaged in the business of developing, operating and maintaining office parks. VITP acquired 100% equity stake in Flagship Developers Private Limited (FDPL), a company that had developed a 1.47 mn sqft IT SEZ park, in Hinjewadi, Pune. FDPL was subsequently merged with VITP, in 2018. Currently, VITP owns one IT park in Hitec City, Hyderabad, ITPH with a leasable area of 1.48 mn sqft and another IT SEZ park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 mn sqft. In 2017. Both the park has reported close to 100% occupancy as on date with reputed tenants such as Cigniti, AT&T, Accenture Services, and L&T Infotech.

VITP is 100% owned by Ascendas Property Fund (India) Pte Ltd, a Singapore-based company that is in turn a 100% subsidiary of a-iTrust, a Singapore-listed business trust that owns office and industrial parks in various cities of India.

Key financial indicators (audited)

	FY2019	FY2020
Operating Income (Rs. crore)	197.44	215.47
PAT (Rs. crore)	21.22	31.30
OPBDIT/OI (%)	77.83%	77.31%
PAT/OI(%)	10.75%	14.53%
Total Outside Liabilities/Tangible Net Worth (times)	3.62	3.52
Total Debt/OPBDIT (times)	5.76	5.44
Interest Coverage (times)	1.34	1.32

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021) Type	Amount Rated	Amount Outstanding	Date & Rating 29-Dec-2020	Date & Rating 13-Nov-2020	Date & Rating 27-Apr-2020	Rating History for the Past 3 Years FY2019 29-Mar-2019	FY2019 5-Dec-2018	FY2019 29-Aug-2018	FY2018 9-Feb-2018	FY2017 30-Jan-2017
1	NCD	Long Term	350.0	253.3	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)
2	Proposed NCD-I	Long Term	300.0	-	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	-	-	-	-	-	-
3	Proposed NCD-II	Long Term	30.0	-	[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
INE743G08068	NCD	27-Jan-17	14.25%	27-Jan-47	350.0	[ICRA]BBB (Stable)
INE743G08050	NCD	10-Feb-17	14.25%	10-Feb-47		[ICRA]BBB (Stable)
-	Proposed NCD-I	-	12.00%	-	300.0	[ICRA]BBB (Stable)
-	Proposed NCD-II	-	12.00%	-	30.0	[ICRA]BBB (Stable)

Source: VITP Private Limited

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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