

December 24, 2021

VITP 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)	680.00	680.00	[ICRA]BBB (Stable); Reaffirmed
Total	680.00	680.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation of VITP Private Limited (VITP/company) continues to factor in the strong parentage 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 totaling 14 million square feet (mn sqft) across Chennai, Bangalore, Hyderabad and Pune. The rating also factors in the favourable location of the assets held by VITP with an established operating track record and a healthy occupancy. Currently, VITP owns an IT park in Hitec City, Hyderabad, named International Tech Park Hyderabad (ITPH) with a leasable area of 1.25 mn sqft¹ and 91% occupancy. It has another IT SEZ park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 mn sqft and 96% occupancy as of December 2021. The company's tenant profile is strong, which includes reputed multinational companies such as Cigniti Technologies, AT&T, Accenture Services, L&T infotech etc. ICRA also notes VITP's strong cash flow from operations in FY2022, which is estimated to be around 3.5 times of the interest payable on the NCDs and inter corporate deposits (ICDs) issued by the company.

The rating, however, is constrained by the execution and market risks associated with the large planned redevelopment of two of the commercial office blocks in ITPH. In the first phase of its redevelopment, the company has demolished around 0.24 mn sqft of office area in one of the blocks (Auriga) and is reconstructing it at present with a total leasable area of 1.4 mn sqft. Further, the company has vacated one of its other block (Mariner) of 0.2 mn sqft. The redevelopment will be funded through internal accruals as well as funding support from a-iTrust, based on requirement. 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. The rated NCDs are 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 a high overall leverage of the company.

The Stable outlook on the [ICRA]BBB rating reflects benefit from the favourable project location and a reputed clientele, supporting a stable occupancy. 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 sponsor profile with established track record lends financial flexibility – 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 14

¹ Excluding two blocks which are vacated for redevelopment

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. ICRA also expects the sponsor to support VITP for its ongoing capex requirements, lending high financial flexibility.

Reputed tenant profile and healthy occupancy – The tenant profile of ITPH and aVance Pune includes reputed clients such as Cigniti, AT&T, Accenture Services, L&T infotech etc. The occupancy in the projects is healthy with 91% occupancy in ITPH (excluding Auriga and Mariner blocks that are being redeveloped) and 96% occupancy in aVance Pune as of December 2021. Favourable location in Madhapur (Hyderabad) and Hinjewadi (Pune), and the high quality of development supported the occupancy.

Strong cash flow from operations – VITP's cash flow from operations in FY2022 is expected to be around 3.5 times of the interest payable on the the NCDs and inter corporate deposits (ICDs) 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

Exposed to execution and market risks associated with large planned capex – The company is exposed to execution and market risks associated with the large planned capex. The company is currently redeveloping 0.24 mn sqft of an existing building in ITPH, Auriga block. The redeveloped building will have 1.4 mn sqft of leasable area at an estimated cost of Rs. 540 crore. Further, the company has vacated one of its other block (Mariner) of 0.2 mn sqft in ITPH. The funding for the redevelopment will be made through internal cash accruals as well as funding support from a-iTrust, based on requirement.

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 and NCDs to the holding company and has issued the NCDs to Group entities to facilitate future acquisitions by the Group. Such instruments have led to an increase in the 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, the debenture holders have deferred interest payouts on some of the existing NCDs, providing cushion in cash flows. Also, as per the terms of the fresh NCD issuance of Rs. 330 crore and Rs. 10.00 crore in FY2021, interest is payable only based on the availability of sufficient cash flows.

Liquidity position: Adequate

The company's cash flow from operations are expected to adequately cover the interest payable on the NCDs and inter corporate deposits (ICDs) issued by the company. 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 free cash and liquid investments of Rs. 66 crore as on November 30, 2021.

Rating sensitivities

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

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

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) ICRA expects VITP's parent, a-iTrust, to be willing to extend financial support to VITP, should there be a need. There also exists a consistent track record of aiTrust having extended timely financial support to VITP (through its Group companies), whenever a need has arisen.
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

About the company

VITP is wholly owned by Ascendas Property Fund (India) Pte Ltd, a Singapore-based company, which in turn is a 100% subsidiary of a-iTrust, a Singapore-listed business trust that owns office and industrial parks in various cities of India. VITP is in the business of developing, operating and maintaining office parks. VITP acquired a 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. At present, VITP owns one IT park in Hitec City, Hyderabad, named ITPH, with a leasable area of 1.25 mn sqft and another IT SEZ park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 mn sqft.

Key financial indicators

	FY2020	FY2021
Operating Income (Rs. crore)	215.5	213.9
PAT (Rs. crore)	31.3	37.8
OPBDIT/OI (%)	77.3%	79.4%
PAT/OI (%)	14.5%	17.7%
Total Outside Liabilities/Tangible Net Worth (times)	3.5	4.2
Total Debt/OPBDIT (times)	5.4	7.3
Interest Coverage (times)	1.3	1.3

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	Amount Outstanding	Date & Rating	Date & Rating in FY2021			Date & Rating in FY2020	Date & Rating in FY2019		
			(Rs. crore)	(Rs. crore)	Dec 24,2021	Dec 29,2020	Nov 13,2020	Apr 27,2020	-	Mar 29,2019	Dec 05,2018	Aug 29,2018
1	NCD-1 & NCD-2	Long-term	350	253.3	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	NCD-3	Long-term	330	330	[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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE743G08068	NCD-1	Jan-17	14.25%	Jan-47	236.8	[ICRA]BBB (Stable)
INE743G08050	NCD-2	Feb-17	14.25%	Feb-47	16.5	
Not issued	NCD -3	NA	NA	NA	96.7	
INE743G08100	NCD-4	Feb-21	12.00%	Feb-31	330.00	

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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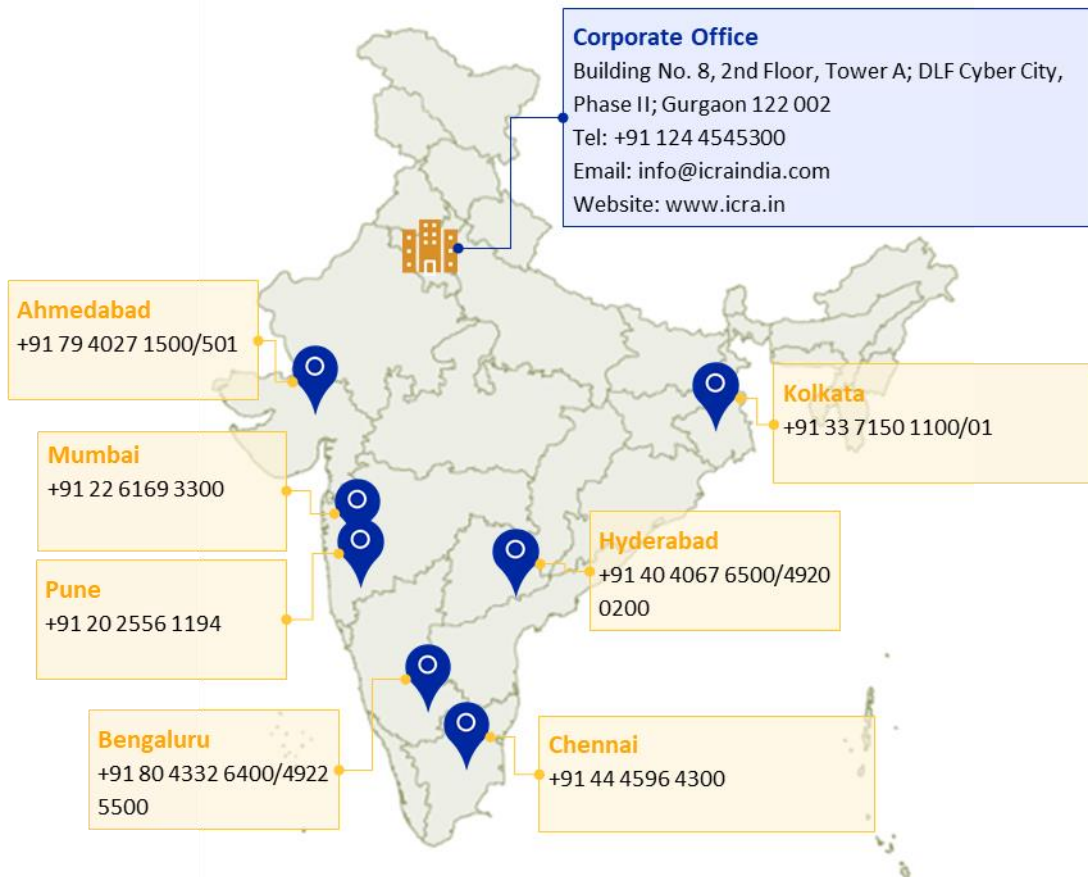
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