December 23, 2022

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-I

Rationale

The rating reaffirmation for VITP Private Limited (VITP) 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 14.4 million square feet (msf) across Chennai, Bangalore, Hyderabad, and Pune. The rating considers the favourable location of the assets held by VITP with an established operating track record and healthy occupancy. At present, VITP owns an IT park in Hitec City, Hyderabad, named International Tech Park Hyderabad (ITPH) with a leasable area of 1.25 msf[1] and 94% occupancy as of October 2022. It has another IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 msf and 97% occupancy as of October 2022. 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 notes VITP's strong cash flow from operations in FY2023, which is estimated to be around 3.4 times of the interest payable on the NCDs issued by the company.

The rating, however, is constrained by the execution and market risks associated with the large, planned re-development of two of the commercial office buildings in ITPH, Auriga and Mariner. The company has almost completed the re-development of Auriga building with a total leasable area of 1.35 msf. The said buildings are divided into two wings of equal space and occupancy certificate (OC) is received for eastern wing. The final OC for the entire building is expected to be received by Q4 FY2023. The company has onboarded a large anchor tenant for around 20% of total space of Auriga building and has a healthy leasing pipeline for the remaining space, thereby mitigating the market risk to an extent. The company has further finalised plans to build a data centre (DC) in Mariner Block of around 35-MW DC capacity at a total cost of around Rs. 1,200 crore over the next two-three years. The re-development of Mariner Block will be funded through internal accruals, as well as funding support from CLINT, based on requirement. 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. ICRA further notes that issuance of such NCDs for investments in third-party special purpose vehicles (SPVs, co-developer of properties proposed to be acquired by the Group) has resulted in high overall leverage for the company. Besides, the rating is constrained by the nature of the rated debt instrument with equity-like characteristics.

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.

[1] *Excluding two blocks which are vacated for re-development*

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 CLINT, which has an established track record in leasing and maintaining commercial real estate assets in India. CLINT is promoted by Ascendas-CapitaLand Group, one of the largest diversified property developers in Asia. CLINT has 14 msf completed floor area, spread across Chennai, Bangalore, Hyderabad and Pune and a land bank that can generate 7.7 msf floor area. ICRA 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 94% occupancy in ITPH (excluding Auriga and Mariner blocks that are being re-developed) and 97% occupancy in aVance Pune as of October 2022. The 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 FY2023 is expected to be around 3.4 times of the interest payable on the NCDs issued by the company. The long-term leases, association with strong tenants and favourable market are likely to generate robust cash flow from operations in the near to medium term.

Credit challenges

Large capex plans in near term – The company is exposed to execution and market risks associated with the large, planned re-development of two of the commercial office buildings in ITPH, Auriga and Mariner. It has almost completed re-development of Auriga building with a total leasable area of 1.35 msf. The said building is divided into two wings of equal space and occupancy certificate (OC) has been received for eastern wing. The final OC for the entire building is expected to be received by Q4 FY2023. The company has onboarded a large anchor tenant for around 20% of the total space of Auriga building and has a healthy leasing pipeline for the remaining space, thereby mitigating the market risk to an extent. It has further finalised plans to build a DC in Mariner Block of around 35-MW DC capacity at a total cost of around Rs. 1,200 crore over next two-three years. The re-development of Mariner Block will be funded through internal accruals as well as funding support from CLINT, based on requirement.

Risk of refinancing NCDs because of bullet-payment structure – The NCDs must 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 its refinancing ability. The NCD being rated is issued to another wholly owned subsidiary of CLINT, with equity-like characteristics.

Increased leverage – VITP has issued compulsorily convertible debentures (CCDs) and NCDs to the holding company and has issued the NCDs to Group entities to facilitate future acquisitions by the Group. Such instruments led to an increase in the company's overall leverage. 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.

Liquidity position: Adequate

The company's cash flow from operations are expected to adequately cover the interest payable on the NCDs. Notwithstanding the healthy cash flow from operations, its capex outflows are likely to be substantial in the near to medium term. ICRA expects VITP to receive adequate funding support from the Group towards the ongoing capital expenditure programme. It had free cash and liquid investments of Rs. 103 crore as on September 30, 2022.

Rating sensitivities

Positive factors – Given the characteristics of the debt instrument rated, the rating upgrade is unlikely.

Negative factors – Negative pressure on VITP's rating could emerge if the capital expenditure planned for the re-development or investments in NCDs of co-developer SPVs, impairs the ability to generate surpluses to support the servicing of the rated NCDs. Further, a drop in the occupancy levels weakening the liquidity position may trigger a rating downgrade.

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: CapitaLand India Trust (CLINT) ICRA expects VITP's parent, CLINT, to be willing to extend financial support to VITP, should there be a need. There also exists a consistent track record of CLINT having extended timely financial support to VITP (through its Group companies), whenever a need has arisen.
Consolidation/Standalone	Standalone

About the company

VITP is a wholly owned by CapitaLand India Trust, a Singapore-based company, which in turn is a 100% subsidiary of CLINT, a Singapore-listed business trust that owns office and industrial parks in various cities of India. It 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-msf IT SEZ Park in Hinjewadi, Pune. FDPL was subsequently merged with VITP in 2018. At present, it owns one IT park in Hitec City, Hyderabad, named ITPH, with a leasable area of 1.25 msf and another IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 msf. The company has almost completed the re-development of Auriga building (in ITPH) with a total leasable area of 1.35 msf.

Key financial indicators (audited)

	FY2021	FY2022
Operating income (Rs. crore)	213.9	210.8
PAT (Rs. crore)	37.8	47.0
OPBDIT/OI (%)	79.4%	78.5%
PAT/OI (%)	17.7%	22.1%
Total outside liabilities/Tangible net worth (times)	4.2	4.1
Total debt/OPBDIT (times)	7.3	7.5
Interest coverage (times)	1.3	1.0

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

Source: Company

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 (Rs. crore)	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021			Date & Rating in FY2020
					Dec 23, 2022	Dec 24, 2021	Dec 29, 2020	Nov 13, 2020	Apr 27, 2020	-
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)	-
2	NCD-3	Long-term	330	330	[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, is available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN	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	330.0	

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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