October 30, 2023

VITP Private Limited: Rating reaffirmed for Rs. 330-crore NCDs; rating reaffirmed and withdrawn for Rs. 350-crore NCDs

Summary of rating action

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
Non-convertible debentures	330.00	330.00	[ICRA]BBB (Stable); reaffirmed
Non-convertible debentures	350.00	-	[ICRA]BBB (Stable); reaffirmed and withdrawn
Total	**680.00**	**330.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for VITP Private Limited (VITP) factors in the favourable location of the assets held by the company 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 2.65 million square feet (msf) and 82% occupancy as of August 2023, which is expected to ramp up to 90-95% by March 2024. It has another IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 msf and 97% occupancy. Its tenant profile is strong with reputed multinational companies such as Cigniti Technologies, Accenture Services, LTI Mindtree, Globant India, Tresvista Analytics, etc. ICRA notes VITP's strong cash flow from operations in FY2024, which is estimated to be around 2.5 times of the interest payable on the non-convertible debentures (NCDs) issued by the company. The rating continues to factor in the high financial flexibility, backed by strong parentage as it is a wholly-owned step-down subsidiary of the Singapore-based CapitaLand India Trust (CLINT) that owns high quality commercial office covering ~15 msf of area across Chennai, Bangalore, Hyderabad, and Pune.

The rating, however, is constrained by the execution and market risks associated with the large, planned re-development of the Mariner building. The company is constructing a data centre (DC) in Mariner Block, with a capacity of around 25 MW, at a total cost of around Rs. 1,500 crore in a phased manner. The total cost for the phase 1 of the project for 8-MW DC capacity is estimated at ~Rs. 410 crore and it is planned to be funded by debt and equity in the ratio of 70:30. Further, with the pending debt tie up, the company is exposed to funding risk. The company is also vulnerable to refinancing risk associated with the bullet repayment for the NCDs. Nonetheless, this risk is partly mitigated by the long tenure of the NCDs. ICRA 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 its high overall leverage. The interest on the rated NCDs is payable annually on March 31 of every financial year subject to surplus cash flow availability with the company.

ICRA has withdrawn the rating assigned to the Rs. 350.0-crore NCDs of VITP at the request of the company and based on the No Dues Certificate (NDC) received from its lenders, and in accordance with ICRA's policy on withdrawal of credit ratings.

The Stable outlook on the [ICRA]BBB rating reflects benefit from the strong parentage, favourable project location and a reputed clientele, supporting a stable occupancy.

Key rating drivers and their description

Credit strengths

Strong sponsor profile with established track record lends financial flexibility – VITP is wholly owned by CLINT, a Singapore-based trust, which has an established track record in leasing and maintaining commercial real estate assets in India. CLINT has around ~15 msf of completed area, spread across Chennai, Bangalore, Hyderabad and Pune. 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 Technologies, Accenture Services, LTI Mindtree, Globant India, Tresvista Analytics, etc. As of August 2023, the occupancy in the projects remained healthy with 82% occupancy in ITPH (expected to ramp up to 85-90% by March 2024) and 97% occupancy in aVance Pune. 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 FY2024 stood at 2.5 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 the medium term – The company is exposed to risks associated with the large, planned re-development of the Mariner building. It is constructing a DC in Mariner Block of around 25-MW capacity at a total cost of around Rs. 1,500 crore in a phased manner. The total cost for the phase 1 of the project for 8-MW DC capacity is estimated at ~Rs. 410 crore, which is to be funded by debt and equity in the ratio of 70:30.

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 interest on the rated NCDs is payable annually on March 31 of every financial year subject to surplus cash flow availability with the company.

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.

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 its ongoing capital expenditure programme. It had free cash and liquid investments of Rs. 60 crore as on September 30, 2023.

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 – Lease Rental Discounting (LRD) Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

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 CLINT, 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. It acquired 100% equity stake in Flagship Developers Private Limited (FDPL), which developed a 1.47-msf 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 2.65 msf and another IT SEZ Park in Hinjewadi, Pune, named aVance Pune, with a leasable area of 1.47 msf.

Key financial indicators

	FY2022	FY2023
	Audited	Audited
Operating income	213.0	223.1
PAT	46.96	46.60
OPBDIT/OI	78.48%	78.10%
PAT/OI	22.0%	20.9%
Total outside liabilities/Tangible net worth (times)	4.06	3.98
Total debt/OPBDIT (times)	7.5	3.5
Interest coverage (times)	1.0	1.1

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sl. No.	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sept 30, 2023 (Rs. crore)	Date & rating in	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021		
					Oct 30, 2023	Dec 23, 2022	Dec 24, 2021	Dec 29, 2020	Nov 13, 2020	Apr 27, 2020
1	NCD	Long term	330.00	330.00	**[ICRA]BBB (Stable)**	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	NCD	Long term	350.00	-	**[ICRA]BBB (Stable); Withdrawn**	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures	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
INE743G08068	**NCD- 1**	Jan-17	14.25%	Jan- 47*	236.8	[ICRA]BBB (Stable); Withdrawn
INE743G08050	**NCD- 2**	Feb-17	14.25%	Feb- 47*	16.5	[ICRA]BBB (Stable); Withdrawn
Not issued	**NCD- 3**	NA	NA	NA	96.7	[ICRA]BBB (Stable); Withdrawn
INE743G08100	**NCD- 4**	Feb-21	12.00%	Feb-31	330.00	[ICRA]BBB (Stable)

*Source: Company; *the company has prepaid the NCDs*

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.

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