

Press Release

E Lights Techno Park Private Limited

April 08, 2020



Rating Assigned

| | |
|-------------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs. 131.15 Cr. |
| Long Term Rating | ACUITE BBB+ / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) on the Rs. 131.15 crore bank facilities of E LIGHTS TECHNO PARK PRIVATE LIMITED (ELT). The outlook is '**Stable**'.

E LIGHTS TECHNO PARK PRIVATE LIMITED (ELT) was incorporated 2004. ELT is a wholly owned subsidiary of Pacifica India Projects Private Limited (PIPPL). ELT was established with the objective of constructing commercial complexes. ELT is currently managed by Mr. Rakesh Israni.

ELT derives its revenues through leasing of space at its marquee property, E lights Techno Park and located at Mahabalipuram Road, Chennai. The Techno Park has leasable area of 9.71 lakh sq. ft., includes newly acquired area of 2.49 lakh sq.ft. ELT is operational with 7.22 lakh sq. ft. area leased out to 15 tenants.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ELT to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

ELT is a part of US-based Pacifica group founded by Mr. Ashok Israni in 1978. The group has presence in the real estate sector for more than four decades. The group ventured into Indian market in FY2004-05. Hence, the group has established track record of developing land in Indian and international market. The extensive experience of the promoters helped in getting a long-term deals with top technocrats. The extensive experience of the promoters is reflected through the nearly full occupancy levels except newly acquired area. Acuité believes that ELT will continue to benefit from promoters' extensive experience over the near to medium term.

- **Healthy cash flows supported by moderate occupancy level**

E Light Techno Park is one of the largest commercial complexes in Chennai (with a leasable area of 9.71 lakh sq. ft.) with occupancy of 74 per cent as on February 29, 2020. The space is occupied by diverse mix of established domestic and international brands. ELT has top 3 brands as anchor clients. The business risk profile is also supported by long tenure of the leases with built-in revenue escalations and lock-in periods, thereby providing stability to the business risk profile.

Acuité believes that ELT will maintain business risk profile supported by the top technocrats, moderate occupancy and favorable location of Techno Park.

Weaknesses

- **Susceptibility to lessee' underperformance along with occupancy and renewal risk**

ELT primarily generates cash flows from lease agreements with its tenants at the Techno Park. ELT's ability to meet its repayment obligations will be dependent on the continued and timely flow of rentals under the lease arrangement. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams, thereby affecting ELT's debt servicing ability. The renewals leasing at better terms, any significant renegotiations by the lessees can

adversely impact the cash flows of ELT. Further, any significant increase in competition from any other commercial complex in a competitive market like Chennai may result in the company's facing occupancy and renewal risks.

Liquidity Position: Adequate

ELT was launched in 2008. The area of 7.22 lakh sq.ft. is leased out to 15 tenants. ELT's liquidity is likely to be adequate marked by adequate estimated cash inflow in the range of Rs.29.83-47.63 crore for FY2020-FY2022. The cash inflow of ELT is expected to improve on the account of increase in rental income at the rate of 15% after three years and leasing of newly acquired area of 2.49 lakh sq. ft. while, the repayments stood in the range of Rs.22.75-25.34 crore for FY2020-FY2022. Further, the company observed the track record of support received from the parent PIPPL marked by unsecured loans of Rs.49.34 crore as on March 31, 2019 and expected to be supported by the parent when required. The company maintains unencumbered cash and bank balances of Rs.0.77 crore as on March 31, 2019. Acuité believes that the liquidity of ELT is likely remain adequate over near to medium term.

Rating Sensitivities

- Dilution of support from the parent company leading to increased dependence on refinancing of debt will have negative bias on the rating.
- Decline in occupancy level leading to cash flow mismatch.

Outlook: Stable

Acuité believes that ELT will maintain a 'Stable' outlook over the medium term from its established group position in the industry and experienced promoters. The outlook may be revised to 'Positive' in case of the company generates healthy net cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its receivables leading to deterioration of its financial flexibility and liquidity.

About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 35.38 | 36.11 |
| PAT | Rs. Cr. | 15.94 | 2.74 |
| PAT Margin | (%) | 45.05 | 7.62 |
| Total Debt/Tangible Net Worth | Times | -3.01 | -2.18 |
| PBDIT/Interest | Times | 2.44 | 2.84 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|-------------------------------|-------------------------|--------------------|----------------------|------------------------------------|------------------------|
| Term Loan I | Not Applicable | Not Applicable | 31 March 2020 | 2.05 | ACUITE BBB+ / Stable |
| Term Loan II | Not Applicable | Not Applicable | 31 March 2021 | 5.50 | ACUITE BBB+ / Stable |
| Term Loan III | Not Applicable | Not Applicable | 31 March 2024 | 43.70 | ACUITE BBB+ / Stable |
| Term Loan IV | Not Applicable | Not Applicable | 31 March 2028 | 79.90 | ACUITE BBB+ / Stable |

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About Acuité Ratings & Research:

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