

Press Release

E Lights Techno Park Private Limited

June 22, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 131.15 Cr.
Long Term Rating	ACUITE BBB+/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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'.

The rating reaffirmation takes into account extensive experience of ELT's management, stable occupancy levels and healthy cash flows. It also draws comfort from ELT's favorable location within Chennai. These strengths are partially offset by the susceptibility of the business risk profile to underperformance of lessees and renewal risk. The company's ability to maintain stable occupancy levels to generate cash inflows commensurate with its repayment obligations will continue to remain a key monitorable.

About the Company

ELT was incorporated in 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 ~17 tenants.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of ELT while arriving at the rating.

Key Rating Drivers

Strengths

• **Extensive experience and established track record of the 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.

• **Stable occupancy levels and healthy cash flows**

E Light Techno Park is one of the largest commercial complexes in Chennai (with a leasable area of 9.71 lakh sq. ft.) with stable occupancy at 74 per cent in May, 2021 as well as February 2020. Despite the impact of COVID pandemic and the subsequent lockdowns ELT has been able to maintain its occupancy levels. The two primary anchor clients (Infosys and Nokia Solutions) have continued their leases despite challenging macro-economic environment. However the newly acquired 2.49 lakh square feet remains largely unoccupied as many corporates have postponed their space acquisition plans with work from home guideline largely in place. However, business risk profile is supported by long tenure of the leases with built-in revenue escalations and lock-in periods. Revenue stood at Rs.

42.86 crore in FY2020 against Rs. 35.33 crore in FY2019. Revenue consists of Rs. 24.52 crore rental income and Rs.22.29 crore maintenance charges in FY2020 and Rs. 16.94 crore rental income and Rs. 18.39 crore maintenance charges in the previous year. For FY2021 rental income stood at Rs. 28.03 crore and maintenance charges at Rs. 15.96 crore. Decline in maintenance charges for FY2021 is primarily on account of low utilization of facilities as work from home guidelines were in place. Going forward revenue growth may remain subdued on account of uncertainties of COVID pandemic continuing for first quarter of FY2022. However as things normalize over the medium term ELT's operating performance is expected to improve on back of rental escalations and partial leasing of the newly acquired area.

Acuité expects ELT's business risk profile to remain stable on back of moderate occupancy, favorable location of Techno Park and long term leases with anchor clients.

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.

Acuité believes that ELT's ability to maintain stable occupancy levels to generate cash inflows commensurate with its repayment obligations will remain key monitorable.

Liquidity Position: Adequate

ELT's estimated cash inflows (rent and maintenance charges) will be in the range of Rs.45.00-55.00 crore for FY2022-FY2024. The cash inflow of ELT is expected to improve on the account of escalation in rentals at the rate of 15% every three years and leasing of newly acquired area of 2.49 lakh sq. ft. While ELT's repayments stood in the range of Rs. 22.00-25.00 crore for FY2022-FY2024. The company maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2021. Acuité believes that the liquidity of ELT is likely remain adequate over near to medium term on account of its adequate cash inflows vis-à-vis its repayment obligations.

Rating Sensitivities

- Ability to maintain stable occupancy levels to generate cash inflows commensurate with its repayment obligations

Material Covenants

None

Outlook: Stable

Acuité believes that ELT will maintain a 'Stable' outlook over the medium term from its management's experienced and established track record in the industry. The outlook may be revised to 'Positive' in case of the company generates higher than expected occupancy levels leading to improvement in cash inflows. Conversely, the outlook may be revised to 'Negative' in case of any significant decline occupancy levels leading to cash inflows or stretch in its receivables leading to deterioration of its financial flexibility and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	46.84	35.38
Profit after Tax (PAT)	Rs. Cr.	0.33	15.94
PAT Margin	(%)	0.70	45.05

Total Debt/Tangible Net Worth	Times	(4.65)	(3.01)
PBDIT/Interest	Times	1.95	2.44

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Jun-2020	Term Loan	Long Term	2.05	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long Term	5.50	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long Term	43.70	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long Term	79.90	ACUITE BBB+ / Stable (Assigned)
08-Apr-2020	Term Loan	Long Term	2.05	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long Term	5.50	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long Term	43.70	ACUITE BBB+ / Stable (Assigned)
	Term Loan	Long Term	79.90	ACUITE BBB+ / Stable (Assigned)

***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	September 2013	Not Available	September 2021	5.50	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	May 2017	Not Available	September 2024	43.70	ACUITE BBB+/Stable (Reaffirmed)
Term Loan	September 2019	Not Available	September 2028	79.90	ACUITE BBB+/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.05	ACUITE BBB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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