

Press Release

Advant IT Park Private Limited

March 11, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	410.00	ACUITE BBB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	410.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (**read as ACUITE Triple B Plus**) on the Rs.410.00 crore bank facilities of Advant IT Park Private Limited (AIPPL). The outlook is '**Stable**'.

The rating derives strength from experienced and resourceful management, reputed lessee profile resulting in satisfactory operating performance during FY19-20, locational advantage of business park with satisfactory occupancy, growing lease rentals during 9MFY22 and adequate liquidity through presence of DSRA and escrow mechanism. The ratings are, however, constrained by dip in lease rentals during FY21 due to onset of COVID-19 pandemic, leveraged financial risk profile and exposure to its wholly owned subsidiary

About the Company

AIPPL was incorporated in 2004 with an objective to provide highest quality of infrastructure and professional support services needed by IT/ITES companies for efficient business operations. Company provides one-stop turnkey option for world-class facilities, setup and support services to the clients who are interested in setting up their own captive centres in India, for their offshore IT /ITES functions.

AIPPL had developed and currently operates '**Advant Navis Business Park**', a corporate landmark located in sector 142 Noida Expressway. It is a class-A intelligent bright Green building with LEED GOLD CERTIFICATION. The company has constructed 5 tower with an aggregate area of 13,80,084 sq.ft. The total land area of the business park is 24,845 sq.mtr.

Analytical Approach

Acuite has considered standalone business and financial risk profile of ADVANT IT PARK PRIVATE LIMITED

Key Rating Drivers

Strengths

Experienced and resourceful management

AIPPL is being managed by Mr. Sunil Sharma, Mr. Om Prakash Arora and Mr. Prithviraj Batra who hold directorial position in the company. The directors are associated with the company for more than a decade. Further, Mr. O.P. Arora is a president and CEO of AOV Group of Companies with strong presence in Finance, Export and Textile industry. Mr. Prithviraj Batra is promoter of Buniyad Group and also hold Directorial position at various real estate companies. Mr. Sunil Sharma is a qualified engineer from Indian Institute of Technology (IIT) and manages and are also associated with various line of business and is Director of various Food Processing and Real estate entities.

The management has also been infusing funds during COVID-19 wherein the cash flows of the company was impacted due to concessions extended by AIPPL to their Lessee.

Acuite believes that company would continue to benefit from experience of the promoters and timely support extended by them.

Locational advantage of business park with satisfactory occupancy

The 'Advant Navis Business Park' is located at sector 142, Expressway Noida and is in proximity to Noida Expressway provides logistic advantage with metro station nearby. Further, international airport and aviation hub is also being constructed and expansion to Taj Economic zone is being planned. Advant-Navis is only about 20 minutes' non-stop drive to the Taj International Airport, that is proposed to be built by the state government. It also connects to the Delhi to Mumbai 'North-West investment corridor' through Taj Expressway. Further, the location also has efficient public road transportation system and elaborate highway network, which provides excellent connectivity to major cities such as Delhi, Noida, Greater Noida, Ghaziabad, Faridabad, Gurgaon, Agra, etc.

Tower A and B was constructed during March 2009 and February 2014 respectively. Tower A has occupancy of 83% whereas Tower B has 94.41% of occupancy. Tower C, D and E were completed on July 2019 and occupancy remains at 51.46%. The lower occupancy in latter 3 towers are mainly due to relatively recent stage of operation (as compared to Tower A and Tower B). Further, the same was also impacted by onset of COVID induced lockdown. The company also has escalation clause for its client with lock in period ranging between 11 months -5 years. In addition to this, notice period is of 3 months. However, as per discussion with management, the company is under negotiation stage with both some corporate entities and retail brands.

Presence of escrow mechanism and DSRA with bank.

The term loans availed by the company is backed by lease rentals. The lease rentals are directly deposited into escrow account and the debt obligation is deducted from the same. In addition to this, the company had already created 6 months EMI as DSRA to the tune of Rs.2.25 -2.50 crores as on February 07, 2022 with HDFC Bank

Satisfactory Operating performance during FY19-20 led by reputed lessee profile

The company has entered into lease agreements with both corporate entities and retail brands. The lessees include reputed companies such as KPMG, Foresight IT Solutions & Consulting India Pvt. Ltd., One Elinfo Pvt. Ltd, BC Management Services Pvt. Ltd, NEC Technologies India Private Limited, Transsion India Pvt. Ltd, Ismartu India Private Limited etc. The mentioned entities have been lessees for 5-11 years. On retail front, Tower C, D and E has been let out to Haldiram Ethnic Foods Pvt. Ltd, Quick Services International (Sagar Ratna), Jubilant Foodworks Ltd, Gujarat Tea Processors and Packer's Limited (Wagh Bakri) etc.

The company reported total operating income of Rs.73.26 crores during FY19 (from Tower A and B) and the same increased marginally to Rs.76.67 crore in FY20, thereby reporting y-o-y growth of 6.0 %. The net cash accruals remained at Rs.8.24 crore during FY20.

Increase in lease rentals during 9MFY22, post dip in FY21.

The company has reported lease rentals of Rs.34.94 crore during 9MFY22, thereby achieving that of 82% in FY21. The lease rentals have also been increasing on month on month basis. In addition to this, the company has also been receiving income from maintenance income, security deposit and income from business support service. The aggregate revenue remained at Rs.61.52 crore.

Weaknesses

Dip in total operating income during FY21 (Prov.)

The operating income, however remained subdued at Rs.57.05 crore during FY21 (Prov.). The same is due to COVID induced nationwide lockdown, during which the company had given some waiver in rent and discounts on CAM charges. In addition to this, few companies had also vacated premises on expiry of lease. Consequently, the lease rentals during FY21 moderated to Rs.42.44 crore in FY21(Prov.) against that of Rs.58.13 crore in FY20 (Rs.55.24 crore in FY19). However, the net cash accruals (PAT+ Depreciation) increased to Rs.15.18 crore against Rs.8.24 crore. The same is due to increase in depreciation (on fully constructed Tower C, D & E) as on March 31,2021(Prov.).

Exposure to its wholly owned subsidiary; Advant Technopark Private Limited (ATPL)

The company has invested equity to the tune of Rs. 0.56 crore as on March 31, 2021 (Prov.) in ATPL. ATPL is also planning to develop similar business park; Advant Solaris Business Park. However, the same is at planning stage as the company has only purchased plot and approval from Noida Authority is still pending. As per the management, the circle rate of plot of Rs.163.0 crore. The company has also extended loans and advances of Rs.43.28 crore to ATPL as on March 31, 2021.

Acuite believes that any further exposure towards its WOS would be key monitorable factor.

Highly Geared financial risk profile

The debt profile of the company majorly comprises of term loan and remaining unsecured loans. The company had availed term loan for the development of IT park. Hence, the total debt of the company remained at Rs.366.66 crore as on March 31, 2021 (Prov.) as against Rs.374.37 crore as on March 31, 2020 (Rs.316.09 crore). The tangible net worth remained at Rs.46.80 crore as on March 31, 2021 as against Rs.55.79 crore(Rs.66.42 crore as on March 31, 2019). The weakening in tangible net worth is mainly due to erosion of net worth due to losses during FY20-21. Hence, the debt-equity of the company is moderated over the years from 4.80 times as on March 31, 2019 to 6.75 times in FY20 and 7.83 times as on March 31, 2021 (Prov.). The interest coverage ratio, remained at 1.41-1.47 times during FY20-21 as against 3.24 times during FY19. The moderation in interest coverage ratio is mainly due to increase in interest cost. The debt-EBITDA ratio, however, remained at 6.60-8.10 times during FY19-21. The total outstanding liability to tangible net worth remained at 5.60-8.99 times during FY19-21. The future cash flow of the company shows significant increase in cash inflows from Q2FY23 vis-à-vis relatively lower inflows (outflows) during the period. Hence, the Debt Service Coverage ratio are also expected to remain above 2.0x on monthly basis.

Acuite believes that the ability of the company to achieve the projected cash flows, thereby maintaining DSCR at mentioned level would be a key rating sensitivities and any significant deviation would affect the credit profile of the company.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Improvement in lease rental and overall cash flows as envisaged by the company.
>Any significant decline in lease rentals on account of discontinuation of lease agreement, inability to achieve the projected cash flows

Material covenants

None

Liquidity Position: Adequate

The liquidity profile of the company remains at adequate level with total inflow of Rs.66.62 crore during 9MFY22 against debt obligation of Rs.36.38 crore. There had also been inflow in the form of security deposits. Further, there have also been constant fund infusion by management during April, May and July 2021. The company also reported net cash accruals of Rs.15.18 crore during FY21 (Prov.). The term loans availed by the company entails long repayment tenure, ranging 96-177 months. The company has also maintained cash and bank balance of 3.67 crore as on March 31, 2021. The current ratio remained at 4.08 times as on March 31, 2021. The company also maintains escrow mechanism in which lease rentals are deposited and debt obligation is deducted.

Outlook: Stable

Acuité believes that the outlook on AIPPL will remain 'Stable' over the medium term on account of growing occupancy level, resulting in increase in lease rental. The outlook may be revised to 'Positive' in case of significant increase in lease rental than envisaged, long term lease contract with reputed clientele. Conversely, the outlook may be revised to 'Negative' in case of any decline in lease rentals.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	62.87	84.73
PAT	Rs. Cr.	(8.99)	(10.64)
PAT Margin	(%)	(14.30)	(12.56)
Total Debt/Tangible Net Worth	Times	7.83	6.75
PBDIT/Interest	Times	1.47	1.41

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

The rating of Advant IT Park Private Limited has been placed at BWR BB+; Stable, Issuer Not Cooperating vide PR date February 19, 2021

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	393.00	ACUITE BBB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

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