

Press Release

IBC Knowledge Park Private Limited

September 08, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1200.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	1200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.1,200.00 crore bank facilities of IBC Knowledge Park Pvt Ltd (IBCKPPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating draws comfort from the extensive experience of the promoters along with an established track record of managing operations in the real estate industry for more than a decade. The rating also considers the strategic location advantage for both of its properties located at a prime location in Bangalore along with reputed tenants with long term lease contracts. However, the rating is constrained by the high customer concentration risk along with occupancy and lease renewal risk.

About the Company

Incorporated in 2002, IBC Knowledge Park Pvt Ltd (IBCKPPL) is a Bangalore based real estate company engaged in development and renting of commercial spaces. IBCKPPL is promoted by Mr. Yunus Zia, Mrs. Sharmeen Yunus, Mr. Danish Sheriff and Mr. Azeem Sheriff. The company generates revenue from leasing of two commercial properties in Bangalore at Diamond district and Bannerughatta. Both the properties together have a total leasable area of ~23.69 lakh sq. feet. Anchor tenants at such properties include tech companies like Think and learn Pvt Ltd, Accenture Solutions Pvt Ltd and Temenos India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of IBC Knowledge Park Pvt Ltd (IBCKPPL) to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

IBCKPPL is promoted by Mr. Yunus Zia, Mrs. Sharmeen Yunus, Mr. Danish Sheriff and Mr. Azeem Sheriff. The promoters have over two decades of experience in the real estate industry. The operations of the firm are managed by the promoter along with an experienced senior management team. The extensive experience of the promoters has helped the firm in securing long term lease contracts from reputed clientele like Think and learn Pvt Ltd, Accenture Solutions Pvt Ltd and Temenos India amongst others.

Acuite believes that IBCKPPL will continue to benefit from promoters' extensive experience over the near to medium term.

Strategic location of the project and healthy cash flows supported by healthy occupancy rate

IBC Knowledge Park is located at Bangalore's Central Business District, on Bannerghatta Road, benefiting from connectivity to MG road and proximity to the vibrant neighborhood of Koramangala surrounded by hotels and retail destinations. Further, the IT park at Diamond district is in the vicinity of Indiranagar and Koramangala. Major tenants for the company include reputed tech companies like Think and learn Pvt Ltd, Accenture Solutions Pvt Ltd, Alten Calsoft Labs and Temenos India. These companies have been with IBCKPPL for 7-10 years. Further, occupancy levels at both the properties remain healthy at ~93%.

The only source of income for the company is lease rent income. Revenue of the company stood at Rs. 242.35 crore in FY2022 as against Rs. 224.18 crore in FY2021 and Rs.236.93 crore in FY2020. The drop in revenue in FY2021 is on account of vacancies by few tenants.

Acuite believes that the IBCKPPL is likely to continue generating healthy cash flows in the near to medium term supported by the long tenure of the lease agreements with built-in revenue escalations and lock-in periods, thereby providing stability to the business risk profile of the company

Healthy financial risk profile

Financial risk profile of the company is healthy marked by healthy net worth, moderate albeit improving gearing and comfortable debt protection metrics. Tangible net worth of the company remained healthy at Rs. 1018.36 crore as on 31st March, 2022 as against Rs.932.66 crore as on 31st March 2021. The net worth has strengthened over the years on account of healthy accretion of profits to reserves. Gearing of the company remained moderate at 1.05 times as on 31st March 2022 as against 1.30 times as on 31st March, 2021. The gearing has however seen a consistent decline from its peak gearing at 1.48 times as on 31st March 2019. The gearing is likely to improve in the near to medium term on account of improving profitability coupled with repayment of existing debt and no major debt funded capital expenditures. Debt protection metrics remains comfortable with sufficient surplus from lease rentals to service the company's debt repayment obligation. Cash DSCR remained comfortable at 1.37 times in FY2022 and Interest coverage of 2.17 times in FY2022. DSCR is likely to remain comfortable between 1.50-1.87 times in the near to medium term and the interest coverage ratio is expected to remain in the range of 2.17-5.14 times.

Acuite believes the financial risk profile of the company is likely to remain healthy in the near to medium term on account of healthy rental income and no major debt funded capital expenditure.

Weaknesses

Customer concentration risk along with occupancy and renewal risk

The main revenue source of the firm is the income generating from lease rentals. As on date, ~40% of the property is leased out to five tenants. IBCKPPL is highly dependent on timely renewal of leave and license agreement from such tenants. Further, 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 debt servicing ability of the firm. Further, any significant increase in competition from any other large real estate company in a competitive market like Bangalore may result in the properties of IBCKPPL facing renewal risks.

ESG Factors Relevant for Rating

The infrastructure development industry has a significant social impact since it is a labour intensive business. Further, community support and development, employee safety and human rights are material factors from the social perspective. Governance issues that assume relevance include board and management compensation, shareholders rights and board diversity. IBCKPPL adheres to execute the project with consistent cost control and quality assurance. The company contributes to various initiatives which includes educational, healthcare and environment sustainability.

Rating Sensitivities

Timely payment of lease rentals

Any termination of lease from the existing tenant resulting in stretched liquidity position

Material covenants

None

Liquidity: Adequate

Liquidity of the company remains adequate with sufficient cash surplus generated by the company to meet the debt repayment obligation. IBCKPPL has generated cash surplus of Rs. 86.18 crore in FY2022 as against debt repayment obligation of Rs. 51.65 crore. The company is likely to generate sufficient cash surplus in the range of Rs.108.99-192.26 crore to meet its debt service obligation in the range of Rs. 64.06-101.42 crore in the near to medium term. The company does not avail any bank limits to meet its working capital requirements. Working capital requirements are met using the internal accruals. Unencumbered cash balance of the company stood at Rs.56.74 crore as on 31st March, 2022 as against Rs. 84.28 crore in FY2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that IBCKPPL will maintain a 'Stable' outlook over the medium term from its promoter's industry experience. 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	242.35	224.18
PAT	Rs. Cr.	85.70	67.46
PAT Margin	(%)	35.36	30.09
Total Debt/Tangible Net Worth	Times	1.05	1.30
PBDIT/Interest	Times	2.28	1.85

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

Not applicable

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
ICICI Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	68.90	ACUITE A- Stable Assigned
Yes Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	30.30	ACUITE A- Stable Assigned
Yes Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	18.37	ACUITE A- Stable Assigned
HDFC Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	15.50	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	115.27	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	238.72	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	61.55	ACUITE A- Stable Assigned
Axis Finance Limited	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	29.10	ACUITE A- Stable Assigned
J&K Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	429.03	ACUITE A- Stable Assigned

Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.71	ACUITE A- Stable Assigned
DBS Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	156.95	ACUITE A- Stable Assigned
DBS Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	25.60	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

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