



Press Release
IBC Knowledge Park Private Limited
November 08, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed 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 reaffirmation:

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, Reliance Projects & Property Management Services Ltd and Temenos India

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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, Reliance Projects & Property Management Services Ltd and Temenos

amongst others. Acuité 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, Reliance Projects & Property Management Services 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 ~95.80 percent. The only source of income for the company is lease rent income. Revenue of the company stood at Rs. 265.53 Cr in FY2023(Prov.) as against Rs. 220.89 Cr in FY2022. The increase in revenue in FY2023(Prov.) is on account of price escalations and increase in rate per sq ft price. 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**

The company's financial risk profile is marked by a healthy net worth, moderate gearing and comfortable debt protection metrics gearing and debt protection metrics. The net worth of the company stood at Rs.1088.56 Cr and Rs.998.21 Cr as on March 31, 2023(Prov.) and 2022 respectively. The improvement in net worth is due to accretion of reserves. The gearing of the company stood moderate at 1.20 times as on March 31, 2023(Prov.) against 1.21 times as on March 31, 2022. Debt protection metrics remains comfortable with sufficient surplus from lease rentals to service the company's debt repayment obligation. DSCR remained comfortable at 1.30 times and Interest coverage of 2.14 times in FY2023(Prov.). DSCR is likely to remain comfortable between 1.54-2.02 times in the near to medium term. 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 company is the income generating from lease rentals. As on date, ~35-40 percent 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 company. 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

All Covenants

None

Liquidity Position: 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. 99.36 Cr in FY2023(Prov.) as against debt repayment obligation of Rs. 52.46 Cr. The company is likely to generate sufficient cash surplus in the range of Rs.151-217 Cr in FY2024-25 to meet its debt service obligation of Rs. 64- 78 Cr in the same period. 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.62.75 Cr as on March 31 , 2023(Prov.). All the revenue inflows are routed through ESCROW account and the company is maintain DSRA of two months EMI. 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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	265.53	220.89
PAT	Rs. Cr.	90.34	65.34
PAT Margin	(%)	34.02	29.58
Total Debt/Tangible Net Worth	Times	1.20	1.21
PBDIT/Interest	Times	2.14	1.91

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Sep 2022	Lease Rental Discounting	Long Term	68.90	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	29.10	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	30.30	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	429.03	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	115.27	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	156.95	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	18.37	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Long Term	10.71	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	238.72	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.60	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	15.50	ACUITE A- Stable (Assigned)
	Lease Rental Discounting	Long Term	61.55	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	14.29	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	102.68	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	227.12	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	56.27	ACUITE A- Stable Reaffirmed
Axis Finance Limited	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	28.35	ACUITE A- Stable Reaffirmed
J&K Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	404.15	ACUITE A- Stable Reaffirmed
Bank of Baroda	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	120.60	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	67.47	ACUITE A- Stable Reaffirmed
DBS Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	155.56	ACUITE A- Stable Reaffirmed
DBS Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.51	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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