



Press Release
PHOENIX INFOCITY PRIVATE LIMITED
October 04, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	575.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	575.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B minus**) on the Rs 575.00 Cr. facilities of Phoenix Infocity Private Limited (PIPL). The outlook is ‘**Stable**’.

Rationale for Rating Assigned

The rating assigned reflects the established track record of operations and strong parentage of the company. However, the rating is constrained by the refinancing risk and low occupancy rate of the tower asset. The company avails a term loan of Rs.730 crore which is due for repayment in November, 2024. The company is in advance stages of discussion to refinance this existing debt by another bank debt of Rs.770 Cr, which is proposed to be a lease rental discounting facility of Rs.570 Cr. and balance Rs.200 Cr. term loan facility. While the refinancing risk prevails, Acuite takes comfort from unconditional and irrevocable undertaking from CapitaLand backed entity to pay off the existing debt on the due date.

CapitaLand group (CapitaLand), headquartered in Singapore, is a diversified real estate group. Its portfolio focuses on real estate investment management and real estate development, spanning more than 260 cities in over 40 countries. The Group has procured 5 of the 6 asset towers in the business park where Tower 09 is located. PIPL has also entered into a forward purchase agreement with CapitaLand group backed entity to sell it Tower 09.

The tower asset has a total leasable area of 11.60 LSF (Lakh square feet) out of which, as on date 7.23 lsf is leased out and balance is vacant. As per one of the agreed terms of contract between the company and Capitaland group backed entity, the entity shall acquire ownership of the tower asset on leasing of 90 percent of the total leasable area. As on date, the total leased area is ~62 percent.

Going forward, Acuite believes timely completion of the refinancing of existing debt and improvement in the occupancy level of the tower asset will be a key rating monitorable.

About the Company

Phoenix Infocity Private Limited, established in 2003, is part of Hyderabad based Phoenix group of entities which specializes in the development of IT/ITES Special Economic Zones, retail malls, residential and commercial complexes, automobile dealerships, and educational infrastructure. The company is primarily owned by Phoenix

Infratech (India) Private Limited, which holds a 58.82% stake, while the remaining 41.18% is held by Apex Urban Infrastructure Private Limited. The company is currently managed by Mr. Gopi Krishna Patibanda and Mr. Jagdeesh Babu Ramanathan. As on date, the company owns Tower 'H09' which it has developed at Avance Business Hub at Hitec City, Hyderabad.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Strong parentage and established track record of operations

Phoenix Infocity Private Limited, headquartered in Hyderabad and established in 2003, is primarily owned by Phoenix Infratech (India) Private Limited, which holds a 58.82% stake, while the remaining 41.18% is held by Apex Urban Infrastructure Private Limited. The entities are together referred to as Phoenix Group. The group specializes in the development of IT/ITES Special Economic Zones, retail malls, residential and commercial complexes, automobile dealerships, and educational infrastructure. The group has developed and delivered around 21msf of mixed use-spaces and has around 25 msf (Million Square feet) of ongoing projects in various stages of development in Hyderabad, Telangana.

Under PIPL, the group has jointly developed a 10 tower IT/ITES Special Economic Zone 'Avance Business Hub' with its landowners, totalling 4.6 msf. Out of the 10 towers, 6 towers admeasuring 3.3 msf were owned by PIPL and balance by landowners. As on date, the company has handed over the developed 4 towers to the landowners and the balance 5 out of the 6 towers has been sold to a Singapore based trust i.e. CapitaLand group. The 6th tower i.e. Tower 'H09' is completed and is currently owned by PIPL.

CapitaLand group has signed a forward purchase agreement with Phoenix group to acquire Tower H09, however, the agreement is awaiting completion of certain major terms of the contract. CapitaLand group, based in Singapore, is a diversified real estate company with a portfolio that includes real estate investment management and development across more than 260 cities in over 40 countries.

Acuite believes the company will continue to benefit from its strong parentage, established track record of operations and association with CapitaLand group over the medium term.

Weaknesses

Refinancing Risk

The company avails a term loan of Rs.730 crore on its tower asset H09 which is due for repayment in November, 2024. The company is in advance stages of discussion to refinance this existing debt by another bank debt of Rs.770 Cr. of Rs.770 Cr, which is proposed to be a lease rental discounting facility of Rs.570 Cr. and balance Rs.200 Cr. term loan facility. While the refinancing risk prevails, the risk is partly mitigated from an unconditional and irrevocable undertaking from CapitaLand backed entity to pay off the existing debt on the due date.

Low Occupancy Rate

The tower asset H09 has a total leasable area of 11.60 lsf out of which, as on date 7.23 lsf is leased out i.e. 62 percent and balance is vacant. The project is completed in CY2022. Further, out of the leased area ~80 percent is occupied one lessee underlying customer concentration risk. However, presence of lock in period clause mitigate the concentration risk to an extent.

Rating Sensitivities

- Timely refinancing of existing debt basis the proposed terms with prospective lender.
- Movement in occupancy levels

Liquidity Position Stretched

The liquidity of the company is stretched marked by prevailing refinancing risk and tightly matching cash accruals against estimated repayment obligations towards proposed debt. The existing loan of Rs.730 Cr. is due in November 2024 which is estimated to be refinanced by another bank debt of Rs.770 Cr, which is proposed to be a lease rental discounting facility of Rs.570 Cr. and balance Rs.200 Cr. term loan facility. The tower asset has a total leasable area of 11.60 lsf out of which, as on date 7.23 lsf is leased out and balance is vacant. The surplus funds of Rs. 40 Cr. received from refinancing are proposed to be utilised towards servicing the total debt obligations. Thus, timely leasing of vacant space is critical to maintain the liquidity position of the company.

Outlook: Stable

Acuite believes that PIPL will maintain a 'Stable' outlook over the medium term on account of experienced management, steady cash flows of lease rentals from reputed lessee profile and timely repayment of existing loan. The outlook may be revised to 'Positive' in case the company is able to refinance the existing loans well ahead of scheduled repayments or improvement in occupancy levels. The outlook may be revised to 'Negative' in case of a

significant dip in the lease rentals or re-negotiations leading to lower than expected cash inflows impacting the debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	63.43	29.13
PAT	Rs. Cr.	0.70	(2.72)
PAT Margin	(%)	1.11	(9.34)
Total Debt/Tangible Net Worth	Times	6.04	2.78
PBDIT/Interest	Times	1.65	1.68

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Investment Trust (REIT): <https://www.acuite.in/view-rating-criteria-81.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	575.00	Simple	ACUITE BBB- Stable Assigned

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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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