

April 17, 2015

| Facility | Amount (Rs. Crore) | Rating |
|-----------|-----------------------|---|
| Term Loan | 400.00 | SMERA B+/ Stable (Upgraded from SMERA B/ Stable) |

SMERA has upgraded the long-term rating on the Rs.400.00 crore back facility of ETA Technopark Limited (ETL) to '**SMERA B+**' (read as **SMERA single B plus**) from '**SMERA B**' (read as SMERA single B). The outlook is '**Stable**'. The upgrade is in view of improvement in the company's profitability. However, the rating remains constrained by the company's exposure to project execution risk amidst weak demand scenario and intense competition in the IT-SEZ business. The rating also notes that the company's debt servicing ability is susceptible to delays in receipt of rental income. However, the rating continues to draw comfort from the company's established association with tenants. The rating is also supported by the high occupancy level in the constructed area of the company's project.

Update

ETL reported net profit of Rs.0.30 crore (provisional) in FY2014–15, as compared with net loss of Rs.0.81 crore in FY2013–14. The company is expected to register sustained improvement in profitability on the back of increase in lease rentals in October 2015.

ETL's gearing has improved marginally to 2.48 times (provisional) as on March 31, 2015 from 2.51 times as on March 31, 2014. The company's interest coverage ratio improved from 1.28 times in FY2013–14 to 1.34 times (provisional) in FY2014–15.

Rating sensitivity factors:

- Timely receipt of advances given to group entities
- Leasing out the constructed vacant space
- Debt-funded capex

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Outlook: Stable

SMERA believes ETL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established association with HCL Technologies. The outlook may be revised to 'Positive' in case the company generates sustained growth in rental income while achieving a comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile on account of higher-than-envisioned debt requirements.

About the company

ETL, incorporated in 2006, is a Chennai-based company promoted by Mr. Syed Abdul Cader, Mr. Khalid Buhari and Mr. Abdul Qadir. ETL is a part of the Chennai-based ETA ASCON Group. The company is setting up an Information Technology (IT) Park (named as ETA Technopark) in a Special Economic Zone (SEZ) on Old Mahabalipuram Road, Chennai. The SEZ is spread over an area of 26.36 acres, with total built-up area of ~43.8 lakh sq. ft. The company has completed development of ~35 per cent of the total planned area. ETL will construct additional floor space only after receiving firm agreements from its prospective tenants.

For FY2014–15 (as per provisional financial statements), ETL reported net profit of Rs.0.30 crore on revenue of Rs.55.78 crore, as compared with net loss of Rs.0.81 crore on revenue of Rs.58.55 crore in FY2013–14. The company's net worth stood at Rs.178.33 crore as on March 31, 2014.

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