

## Kalyani Techpark Private Limited

Instrument	Amount	Rating Action
	In Rs Crore	September 2016
Long-term – Term loans	192.98 (reduced from 207.00)	[ICRA]BB+ (Positive) reaffirmed

ICRA has reaffirmed the long-term rating assigned to the Rs 192.98-crore (reduced from Rs 207.00 crore) term loans of Kalyani Techpark Private Limited (KTPL) at [ICRA]BB+ (pronounced as ICRA double B plus). The outlook on the long-term rating is positive.

The rating reaffirmation takes into account 100% occupancy in KTPL's Platina project and the healthy physical progress achieved in the new project currently being developed by KTPL. The company's operational profile is supported by the favourable location of the Platina project, reputed tenant profile comprising mainly multinational companies and competitive rental rates. ICRA takes note of the long lease tenures and investments made by the tenants towards fit-outs in most cases which mitigate vacancy risk to some extent. The rating also derives comfort from the escrow mechanism in place for all the rated loans, whereby rentals as well as maintenance income and electricity charges are directly deposited into the escrow accounts and utilised first for debt-servicing before the release of any surplus cash flows. Although none of the loans have debt-service reserve accounts (DSRA), KTPL maintains adequate liquidity in the form of cash balances that are earmarked towards supporting debt-servicing obligations (around 1.86 times of current monthly instalments).

The rating is, however, constrained by the weak coverage ratios of KTPL with the DSCR projected to remain marginally lower than 1x in the near to medium term. The rating also considers the project execution and funding risks associated with the ongoing construction of a built-to-suit office complex for Goldman Sachs by KTPL in the Outer Ring Road, Bangalore. The balance equity funding need for the capex project and the marginal shortfall in operational cash flow for debt servicing will necessitate funding support from the promoters; however, ICRA notes that the flagship company of the group, Mohan Enterprises (rated [ICRA]BBB) has good financial flexibility and is likely to support KTPL with funds in the near term. The rating also considers the high client concentration in KTPL's portfolio, with the HP Group accounting for 74% of the area leased in Platina project. Nonetheless, ICRA draws comfort from the long-term relationship of the tenant with the Kalyani Group, which has been demonstrated through additional space taken across new phases by the tenants.

Going forward, the company's ability to maintain the high occupancy level across its assets, timely receipt of rentals and its ability to execute the ongoing construction as per the planned timelines and budgeted costs will be the key rating sensitivities.

### Company Profile

KTPL was incorporated in 2006 by Mr A Mohan Raju and Citi Property Investors India I Ltd. The Raju family subsequently acquired the stake of Citi. The company entered into a joint development agreement (JDA) for 11.14 acre of land at Kundalahalli, near Whitefield, Bangalore. KTPL has developed 11.8 lakh square feet of leasable area in this project which is named as 'Kalyani Platina'. KTPL's share of leasable area is 8.4 lakh sft which has been fully leased out. Reputed companies such as Delphi Automotive Systems (Delphi), Infineon Technologies (Infineon), Hewlett Packard Global Soft (HP), Global e-Business Operations (GBOPL) and Musigma Business Solutions (Musigma) have occupied space in Kalyani Platina.

Further in November 2011, KTPL had entered into agreement to develop and lease built-to-suit office space with a leasable area of 10 lakh sft (KTPL's share of 6.2 lakh sft) to Goldman Sachs Services (GS) over 22 acre of land at Varthur Hobli, Outer Ring Road (ORR) in Bangalore. The project started execution in February 2015 and is scheduled to be handed over by August 2017.

### Recent Results

During FY2016, KTPL reported a net profit of Rs 4.1 crore on an operating income of Rs 40.9 crore, as per provisional financials. During FY2015, KTPL reported a net profit of Rs 8.1 crore on an operating income of Rs 38.5 crore.

**September 2016**



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