Rating Rationale

November 04, 2022 | Mumbai

Tata Realty and Infrastructure Limited

Long-term rating upgraded to 'CRISIL AA+/Stable'; short-term rating reaffirmed

Rating Action

Rs.195 Crore Non Convertible Debentures	**CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Stable')**
Rs.105 Crore Non Convertible Debentures	**CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Stable' and withdrawn)**
Rs.475 Crore Non Convertible Debentures	**CRISIL AA/Stable (Withdrawn)**
Rs.1800 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

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1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the long-term debt instruments of Tata Realty And Infrastructure Limited (TRIL) to **'CRISIL AA+/Stable'** from 'CRISIL AA/Stable'. The ratings on commercial paper programme have been reaffirmed at **'CRISIL A1+'**. CRISIL Ratings has also **withdrawn** its rating on the Rs 580 crore non-convertible debentures (NCDs) at client's request as the instruments have been either fully redeemed and/ or are yet to be placed. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of NCDs.

The rating action follows sharp improvement in the financial risk profile of the company following monetisation of a portion of TRIL's stake in two of its major commercial real estate assets (Intellion Park, Chennai and Intellion Edge Gurgaon), the proceeds of which have been utilised for deleveraging. As a result, TRIL's standalone debt has reduced to ~Rs 2,020 crore as of August 31, 2022, from Rs 4,080 crore as of March 31, 2022, resulting in improvement in capital structure. Moreover, healthy investments to debt ratio indicate further flexibility available to the company. The upgrade in ratings also factors in improvement in the business risk profile, driven by healthy toll collections realised for roads assets. CRISIL Ratings understands that for future growth, TRIL would be focusing only on profitable commercial real estate assets. The same would continue to remain key monitorables.

Ratings also considers healthy business risk profile, given TRIL's established track record in developing and managing real estate and infrastructure projects and healthy performance of its operational projects and expected prudent management policies. Company's recent announcement to develop and own commercial office space across India in joint venture with Canada Pension Plan Investment Board would also partially de-risk funding requirement for such commercial real estate projects in future. Barring Pune metro project which would be largely funded through support from the parent, Tata Sons Pvt Ltd (Tata Sons; rated 'CRISIL AAA/Stable/CRISIL A1+'), no equity major funding requirement is expected for other under-construction as well as operational projects over the medium term. While gearing remained at 1.0 time as on March 31, 2022, it is expected to decline in this fiscal and sustain at below 1 time over medium term because of further expectation of asset monetisation and less investment requirements in under-construction as well as operational projects.

Additionally, strong managerial and financial support from the parent is expected to continue, given TRIL's high strategic importance. For instance, Tata Sons has infused equity of Rs 400 crore in October 2022. These strengths are partially offset by exposure to implementation risk for greenfield projects, including Pune Metro project. Furthermore, the company is exposed to refinancing risks of NCDs. However, the company has a demonstrated track record of refinancing its debt in the past.

Analytical Approach

For arriving at its ratings, CRISIL Ratings has combined the business and financial risk profiles of TRIL and its wholly owned subsidiaries, TRIL Roads Pvt Ltd (TRPL) and TRIL Urban Transport Pvt Ltd (TUTPL), given their operational and financial linkages. CRISIL Ratings has also moderately combined the financial and business risk profiles of TRIL with special purpose vehicles (SPVs) and step-down SPVs through which its projects are being executed. This is because the debt in most of these SPVs is non-recourse to the parent. In line with CRISIL Ratings' moderate consolidation approach, the investment requirement and expected cost overrun in under-implementation projects have been factored into the financials of TRIL.

Furthermore, CRISIL Ratings has applied its parent notch-up framework to factor in the managerial and financial support expected from the parent, Tata Sons.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established track record in developing and managing real estate and infrastructure projects**

  TRIL, which began its operations in 2007, has developed a strong track record in developing and managing the projects in its portfolio. The company's verticals include commercial real estate projects in the realty business and roads and urban transport in the infrastructure business. The company has an operational commercial real estate portfolio covering ~6.3 million sq. ft, under-construction real estate portfolio measuring ~12 million sq. ft. and a road portfolio totalling 1,545 lane kilometre (km).

  The company has four operational commercial assets (including one retail asset), of which Intellion Edge Phase I, Gurugram became operational in February 2020. Intellion Park, Chennai (Ramanujam IT City) and Intellion Square, Mumbai (TRIL IT 4) with operational track record of over nine years, continue to generate healthy cash flow aided by rise in rentals. Moreover, Intellion Edge Gurugram Phase I saw strong demand for leasing new spaces from large tech giants and has currently leased out 95% of its space, on account of strong competitive positioning of TRIL's properties. Furthermore, phase-wise construction of under development portfolio will add to the scale over the medium term. Company also has only one residential project, of which ~78% has been sold out.

  All four road projects of TRIL are operational. Toll collections for Uchit Expressways as well as Hampi Expressways which received commercial operation date (COD) last year, have also been healthy in first half of this fiscal. Toll collections for even Dharamshala Ropeway, which commenced operations since January 2022 remained healthy. In September 2019, TRIL, through its urban transport vertical, TUTPL, in a joint venture with Siemens Project Ventures GMBH, had signed a concession agreement with Pune Metro Region Development Authority (PMRDA) for the Pune Metro Line III project on a design, build, finance, operate and transfer basis. The financial closure for the Pune Metro project has been achieved. Currently, ROW of ~99% is available and construction work has already begun. The company's strong track record in developing and managing project operations should support the execution of under-construction projects.

- **Improvement in capital structure aided by recent deleveraging and expected prudent management policies**

  TRIL has sold ~49% stake in Intellion Park, Chennai (Ramanujan IT City) and 24.5% stake in Intellion Edge P1- Gurgaon in H1FY23 and would be selling another 24.5% stake in Intellion Edge P1- Gurgaon shortly. The proceeds have been utilised for deleveraging, resulting in improvement in capital structure. While gearing remained at around 1 time as on March 31, 2022, it is expected to have improved post monetisation of the assets. Gearing is expected to improve to ~0.8-

0.9 time over medium term to be supported by lesser equity requirement expected for under-construction and operational projects. Higher-than-expected leverage to support under-construction projects will remain a key rating sensitivity factor.

Moreover, TRIL is likely to follow prudent practices in the selection of projects while pursuing its growth strategy.

- **Strong managerial and financial support from Tata Sons**
  TRIL, a wholly owned subsidiary of Tata Sons, is a key vehicle for implementation of the Tata group's long-term strategy in the real estate and infrastructure sectors. Furthermore, Tata Sons has infused capital of Rs 2,775 crore in TRIL till date (Rs 400 crore in October 2022 and Rs 1,200 crore infused in fiscal 2020). The financial and management support from the parent is expected to continue.

Weaknesses:

- **Exposure to implementation risk for greenfield projects and moderate equity requirement towards under-construction company**
  A significant part of TRIL's project portfolio, across its operating verticals, is in the early stages of development and involves critical approvals from various authorities, significant funding requirement and large construction periods, exposing the portfolio to implementation challenges.

  Furthermore, TRIL has equity requirement of around Rs 500 crore from second half of fiscal 2023 till fiscal 2025 towards under construction and operational projects, largely towards the Pune Metro project. The equity requirement towards Pune metro project shall primarily be met from promoter infusion, while company has other avenues such as asset monetisation and additional debt, if required. Although TRIL has successfully implemented several greenfield projects in the past, any delay in receipt of approvals or project completion may lead to cost overrun and could change the project dynamics.

- **Refinancing risks to NCDs**
  Owing to high proportion of short- to medium-term debt and negative cash accruals, TRIL is exposed to refinancing risk given large bullet repayment. The company (on a standalone basis) has around Rs 195 crore and ~Rs 900 crore of debt repayment due on its NCDs in second half of fiscal 2023 and full fiscal 2024, respectively. However, TRIL can successfully refinance its obligation, as seen in the past. Moreover, company is expected to get support from parent to meet its debt obligations, in case of exigency.

Liquidity: Strong

Liquidity is supported by unencumbered cash and bank balance of over Rs 500 crore as on October 31, 2022, and overdraft facility of Rs 75 crore, which is largely unutilised. Principal repayment requirement on NCDs for the remaining second half of fiscal 2023 stood at Rs 195 crore. The company also had around Rs 25 crore of outstanding commercial paper as on October 31, 2022. Furthermore, managerial, and financial support from Tata Sons is expected to continue, whenever required.

Outlook: Stable

TRIL will continue to follow prudent management policies to ramp up its real estate portfolio and benefit from strong operational and financial support from the parent.

Rating Sensitivity factors

Upward factors

- Significant improvement in business risk profile due to higher proportion of operational versus under-construction projects
- Improvement in cash accrual so that ratio of accrual to debt repayment is over 2 times
- Capital structure strengthens significantly and on a sustained basis

Downward factors

- Significant deviation from existing business plan or more-than-expected debt, thereby adversely affecting capital structure

- Decline in Tata Sons' support to TRIL
- Downgrade of Tata Sons' rating by one notch

About the Company

TRIL was incorporated in March 2007 as the infrastructure and real estate holding company for the Tata group. The company is a 100% subsidiary of Tata Sons and undertakes infrastructure and real estate projects through various SPVs. Key focus operating verticals include real estate, roads and urban transport.

It has completed commercial real estate portfolio covering 6.3 million sq. ft, under-construction real estate portfolio measuring 12 million sq. ft and a road portfolio totalling 1,545 lane km. In fiscal 2019, the company also entered the metro rail sub-segment in the urban transport portfolio by winning the Pune Metro Phase III project, to be operational from Shivaji Nagar to Hinjewadi, in a joint venture with Siemens Project Ventures GMBH. The concession agreement for this project was signed in September 2019. The main sources of operating income for TRIL are development management fees and asset management fees from various SPVs, proceeds from sale of units in the residential project at Kochi and interest income from investment in SPVs.

TRPL, incorporated in 2007, is a holding company for TRIL's road asset portfolio. All ongoing road projects are operational and housed under TRPL. There is external debt of around Rs 130 crore in TRPL as on March 31, 2022, which was contracted post-merger of TRPL Roadways Ltd (100% subsidiary of TRPL) with TRPL in fiscal 2021. TRPL Roadways was formed for the acquisition of Durg Shivnath Expressways Ltd.

TUTPL, incorporated in 2007, is a holding company for TRIL's urban transport asset portfolio.

Key Financial Indicators Consolidated (includes TRIL, TUTPL and TRPL)

Financials as on / for the period ended March 31*		2022	2021
Revenue	Rs crore	211	216
Profit after tax (PAT)	Rs crore	(56)	(151)
PAT margin	%	NM	NM
Adjusted debt/adjusted networth	Times	1.08	1.04
Interest coverage	Times	NM	NM

**CRISIL Ratings-adjusted for consolidation of TRIL, TRPL and TUTPL; NM: Not meaningful*

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure – Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities – including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisil.com/complexity-levels. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity	Rating assigned with outlook
INE371K07013	Non-convertible debentures	18-Nov-19	9.00%	18-Nov-22	195	Simple	CRISIL AA+/Stable
NA	Commercial	NA	NA	7-365	1800	Simple	CRISIL A1+

	Paper			days			

Annexure - Details of instrument(s) withdrawn

ISIN	Name of Instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity
INE371K08136	Non-convertible debentures	31-Jan-20	8.68%	29-Apr-22	200	Simple
INE371K08144	Non-convertible debentures	06-Feb-20	8.40%	06-Jun-22	275	Simple
NA^	Non-convertible debentures	NA	NA	NA	105	Simple

^yet to be issued

Annexure – List of entities consolidated

Entity consolidated	Project Name	Type of project	TRIL's Shareholding (%) (as of Sep 30, 2022)	Extent of consolidation
TRIL Roads Pvt Ltd	Intermediate holding company	-	100%	Full
TRIL Urban Transport Pvt Ltd	Intermediate holding company	-	100%	Full
Infopark Properties Ltd	Intellion Park, Chennai (Ramanujan IT City)	IT SEZ	51%	Moderate
TRIL IT4 Pvt Ltd	Intellion Square, Mumbai (TRIL IT 4)	IT	100%	Full
International Infrabuild Pvt Ltd	TRILIUM Avenue, Gurugram	Retail	26%	Moderate
Industrial Minerals and Chemicals Company Pvt Ltd	Intellion Park, Mumbai	IT SEZ	74%	Moderate
Mikado Realtors Pvt Ltd	Intellion Park, Gurugram	IT SEZ	74%	Moderate
Arrow Infraestate Pvt Ltd	Intellion Edge, Gurugram	Commercial	75.5%	Moderate
Gurgaon Realtech Ltd		Commercial	75.5%	Moderate
Gurgaon Constructwell Pvt Ltd		Commercial	75.5%	Moderate
TRIL Constructions Ltd	Yeshwantpur, Bengaluru	Commercial	19.54%	Moderate
Pune Solapur Expressways Pvt Ltd	Pune Solapur	Road	50%	Moderate
Durg Shivnath Expressways Pvt Ltd	Durg Shivnath	Road	100%	Moderate
Uchit Expressways Pvt Ltd	Uchit expressways	Road	100%	Moderate
Hampi Expressways Pvt Ltd	Hampi expressways	Road	100%	Moderate
Dharamshala Ropeways Ltd	Dharamshala ropeway	Ropeway	74%	Moderate
Matheran Ropeways Pvt Ltd	Matheran ropeway	Ropeway	70%	Moderate
Pune IT City Metro Rail Limited	Pune Metro Phase III	Metro	74%	Moderate

Stake in Manali ropeway has been divested

Annexure - Rating History for last 3 Years

	Current			2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Commercial Paper	ST	1800.0	CRISIL A1+		--	09-11-21	CRISIL A1+	20-10-20	CRISIL A1+	29-03-19	CRISIL A1+	CRISIL A1+
			--		--	29-10-21	CRISIL A1+	30-03-20	CRISIL A1+		--	--
Non Convertible Debentures	LT	195.0	CRISIL AA+/Stable		--	09-11-21	CRISIL AA/Stable	20-10-20	CRISIL AA/Stable	29-03-19	CRISIL AA/Stable	CRISIL AA/Stable
			--		--	29-10-21	CRISIL AA/Stable	30-03-20	CRISIL AA/Stable		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Rating criteria for Real Estate Developers
CRISILs Rating criteria for Real Estate SPVs
Rating Criteria for Toll Road Projects
CRISILs Criteria for rating short term debt
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for Consolidation

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