

September 13, 2022

## Tata Realty and Infrastructure Limited: Long-term rating upgraded to [ICRA]AA+ (Stable); short-term rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
<b>Non-convertible Debenture</b>	3,000.0	3,000.0	[ICRA] AA+ (Stable) Upgraded from [ICRA] AA (Stable)
<b>Commercial Paper</b>	2,200.0	2,200.0	[ICRA]A1+ reaffirmed;
<b>Total</b>	<b>5,200.0</b>	<b>5,200.0</b>	

*\*Instrument details are provided in Annexure-I*

### Rationale

The upgrade in the long-term rating of Tata Realty and Infrastructure Limited (TRIL) factors in the strengthening of its capital structure post-monetisation of two assets, along with an improvement in the credit profile of some of its investee companies with the commencement of commercial operations. In current financial year, TRIL has monetised a part of its stake in Intellion Park, Chennai and Intellion Edge, Gurgaon; the proceeds have been used/are planned to be used for debt reduction and investments into its subsidiaries/associates. Consequently, the debt level at TRIL is expected to witness substantial reduction to Rs. 2,500 crore by March 2023 from Rs 3,045 crore in March 2021. The overall equity commitments towards the under-construction and operational projects over the next two years (FY2023-FY2024) are estimated at Rs. 3,200 crore, which will be funded through a mix of equity infusion by Tata Sons Private Ltd (TSPL), proceeds from asset monetisation, and additional debt. Nonetheless, at the standalone level, the debt is expected to remain substantially below March 2022 level despite these investment plans. TRIL had invested Rs. 1,000 crore in the last two years to acquire a 33.5% stake in Tata Housing Development Company Ltd (THDCL), and another Rs. 500 crore is expected to be infused in the current fiscal. The ratings continue to favourably factor in the diversified investment portfolio of TRIL, which comprises a mix of real-estate projects, including 18.2 mn sqft of commercial office space, 0.1 mn sqft of retail, completed and unencumbered residential real-estate inventory of 0.3 mn sqft, and infrastructure projects under the build-operate-transfer (BOT) model in the road, metro and ropeway segments. The ratings consider the healthy cash cover for the operational projects (thereby requiring no/minimal financial support from TRIL). The ratings continue to derive comfort from TRIL's strong parentage by being a wholly-owned subsidiary of Tata Sons Private Ltd (TSPL, rated [ICRA]AAA(Stable)/[ICRA]A1+), and the strategic importance of TRIL for the Tata Group, which is also reflected in the composition of the board of directors, as well as financial support provided by TSPL by way of equity infusion in the past. ICRA expects the demonstrated group support in the form of strategic, managerial and funding to TRIL would continue, going forward also, which remains a key credit strength.

The ratings strengths are partially offset by the sizeable equity commitment/support towards the under-construction projects, primarily towards the Pune Metro project. Due to its nascent stage of implementation and the DBFOT mode of execution, the metro project remains exposed to high implementation and revenue risks. Any sizeable higher-than expected financial support to its operational projects or towards cost overruns for the under-construction projects, would remain a rating sensitivity. ICRA has taken note of the explicit support that TRIL has provided to the borrowing programme of some of the investee companies. Any deterioration in the credit profile of these investee companies could result in a crystallisation of the contingent liabilities and, thus, will remain a key monitorable. Further, the company is exposed to refinancing risks, owing to a sizeable proportion of short-to-medium-term debt, resulting in Rs. 1,370 crore of debt repayment obligations during the next 18 months. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a part of the Tata Group, which is also evident from the demonstrated track record of timely debt refinancing in the past.

The Stable outlook reflects ICRA's belief that TRIL will continue to benefit from being a wholly-owned subsidiary of TSPL, providing it a strong refinancing and fund-raising ability and its diversified investment portfolio.

## Key rating drivers and their description

### Credit strengths

**Strong parentage by virtue of being a wholly owned subsidiary of Tata Sons Private Limited** – TRIL is a wholly owned subsidiary of Tata Sons Private Limited (TSPL, rated [ICRA]AAA (Stable) /[ICRA]A1+) and strategically important to the Tata Group, given TRIL is the flagship entity for investment in the infrastructure and commercial real-estate verticals. The strategic importance of TRIL is also evident from the representation of some key personnel of Tata Sons on the board of TRIL. Further, TSPL has provided timely financial support in the past and has infused Rs. 2,375 crore till March 31, 2022. Given these factors, ICRA believes TRIL will continue to receive adequate and timely financial support from TSPL, in case of financial exigencies, if any.

**Diversified portfolio of projects** – TRIL has a diversified investment portfolio, which comprises a mix of real estate (18.2 mn sqft of commercial office space, 0.1 mn sqft of retail, unsold inventory of 0.3 mn sqft of residential space) and infrastructure projects in the road, metro and ropeway segments.

**Healthy operational performance of projects** – TRIL has ~18.2 mn sqft of commercial office space of which ~6.2 mn sqft is completed (with occupancy of ~83%), and the balance ~12.0 mn sq.ft. is under construction/planning (as of August 2022). It's two commercial real-estate projects in Mumbai and Chennai continue to have high occupancy levels and are expected to perform well in the medium term. Further, its residential real-estate projects in Kochi are complete and the unsold inventory is unencumbered and expected to provide cash flows in the near term. All the four toll-road assets are operational with annual toll collection of Rs. 515 crore, against gross debt of Rs. 3,098 crore as on March 31, 2022. The Dharamshala ropeway project has achieved COD on January 19, 2022. The Pune Metro project has received appointed date of November 25, 2021, with receipt of 98.9% right-of-way and is under implementation.

### Credit challenges

**Exposed to debt refinancing risks** – The company is exposed to refinancing risks, owing to a sizeable proportion of short-to-medium-term debt, resulting in Rs. 1,370 crore of debt repayment obligations during the next 18 months. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a part of the Tata Group, which is also evident from the demonstrated track record of timely debt refinancing in the past.

**Sizeable equity requirement towards under-construction projects and explicit support to some of the investee companies** – There is a sizeable equity commitment towards the under-construction projects, including the Pune Metro project which is being developed under the DBFOT mode through an SPV, Pune IT City Metro Rail Limited (PICMRL). PICMRL is a 74:26 joint venture between TRIL Urban Transport Private Limited (a 100% subsidiary of TRIL) and Siemens Project Ventures GMBH. Due to its nascent stage and the DBFOT mode of execution, the metro project remains exposed to high implementation and revenue risks. The overall equity commitments towards the under-construction and operational projects over the next two years (FY2023-FY2024) are estimated at Rs. 3,200 crore, which will be funded through a mix of equity infusion by TSPL, proceeds from asset monetisation, and additional debt. Timely commissioning of these projects within their budgeted costs would remain important from the credit perspective. Any higher-than-expected cash flow support to its operational projects or towards cost overruns for the under-construction projects, would also remain a rating sensitivity. TRIL has invested Rs. 1,000 crore in the last two years to acquire a 33.5% stake in Tata Housing Development Company Ltd (THDCL), and another Rs. 500 crore is expected to be infused in the current fiscal. ICRA has taken note of the explicit support that TRIL has provided to the borrowing programme of some of the investee companies. Any deterioration in the credit profile of these investee companies could result in a crystallisation of the contingent liabilities and, thus, will remain a key monitorable.

## Liquidity position: Adequate

The company's liquidity position remains adequate, with unencumbered cash balance and liquid investments of Rs. 81.0 crore and unutilised overdraft limit of ~Rs. 75 crore as on March 31, 2022. In Q1 FY2023, TRIL had realised proceeds from monetisation which has been partly used for short-term debt reduction. While TRIL has sizeable NCD repayments due of Rs. 470 crore (Rs.275 crore in September 2022 and Rs.195 crore in November 2022), it plans to refinance the same, supported by its strong financial flexibility by being a part of the Tata Group which has helped, as has been demonstrated in the past, to raise funds at a short notice.

## Rating sensitivities

**Positive factors** – The crystallisation of scenarios for any ratings upgrade is unlikely.

**Negative factors** – Pressure on the ratings of TRIL could arise, if there is any higher-than-anticipated increase in leverage due to delay in asset monetisation or any significant cost overruns in the ongoing projects, or any significant underperformance of operational assets of the company leading to enhanced refinancing risks. Further, deterioration in the credit profile of the parent or a decrease in shareholding or strategic importance of TRIL, will also remain a key rating sensitivity.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit rating methodology</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a> <a href="#">Consolidation and Rating approach</a> <a href="#">Rating Methodology for Holding Companies</a>
Parent/Group support	Parent Company: Tata Sons Private Limited (TSPL)  We expect TRIL's parent, TSPL [rated [ICRA]AAA (Stable)/[ICRA]A1+], to be willing to extend financial support to TRIL, should there be a need, given the high strategic importance that TRIL holds for TSPL for meeting its diversification objectives and out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has used limited consolidation approach, under which the proposed equity investments for under-construction projects and funding support required to various subsidiaries towards debt servicing and operational shortfall have been considered. The list of companies that are consolidated to arrive at the rating are given in Annexure 2 below.

*Note (for analyst reference only):*

## About the company

Tata Realty and Infrastructure Limited (TRIL), a 100% subsidiary of Tata Sons Private Ltd. (TSPL) (rated [ICRA]AAA (stable)/[ICRA]A1+), was incorporated on March 2, 2007, for undertaking various infrastructure and real-estate projects by establishing special purpose vehicles (SPVs). TRIL's various business interests can be categorized into three segments, namely real estate, infrastructure and project management services. TRIL has invested directly in the real-estate projects. Its investments in roads and urban transport projects, however, are through holding companies. Its operational portfolio consists of four real-estate projects and four road projects. The company has a large under-construction portfolio comprising three commercial real-estate projects, two ropeway projects and a metro project.

### Key financial indicators (audited)

TRIL - Standalone	FY2021	FY2022
Operating income	278.5	405.7
PAT	-96.4	-5.2
OPBDIT/OI	41.7%	64.8%
PAT/OI	-34.6%	-1.3%
Total outside liabilities/Tangible net worth (times)	1.2	1.2
Total debt/OPBDIT (times)	26.1	15.4
Interest coverage (times)	0.4	0.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Source: Company, ICRA Research

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore, as on Aug 31, 2022)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Sep 13, 2022	Sept 13, 2021	Sept 18, 2020	Sept 09, 2019	
1	NCD	Long Term	3,000.0	1995	[ICRA]AA+(Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	
2	CP	Short Term	2,200.0	25	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible Debenture	Very Simple
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure I: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
INE371K07013	NCD	18-Nov-19	9.00%	18-Nov-22	195	[ICRA]AA+(Stable)
INE371K08151	NCD	12-Nov-20	7.30%	10-Nov-23	400	[ICRA]AA+(Stable)
INE371K08169	NCD	23-Dec-20	7.09%	21-Jun-24	300	[ICRA]AA+(Stable)
INE371K08177	NCD	24-Mar-21	6.50%	23-Sep-22	275	[ICRA]AA+(Stable)
INE371K08185	NCD	17-Jun-21	6.50%	17-July-24	325	[ICRA]AA+(Stable)
INE371K08193	NCD	25-April-22	6.24%	26-May-23	300	[ICRA]AA+(Stable)
INE371K08201	NCD	02-Jun-22	7.37%	09-Jun-23	200	[ICRA]AA+(Stable)
Yet to be placed	NCD	-	-	-	1005	[ICRA]AA+(Stable)
INE371K14BG4	CP	08-Jun-22	6.20%	6-Dec-22	25	[ICRA]A1+
Yet to be placed	CP	-	-	-	2175	[ICRA]A1+

Source: Company

## Annexure II: List of entities considered for consolidated analysis

Company Name	TRIL Ownership	Consolidation Approach
TRIL Roads Private Limited	100.00%	Limited Consolidation
Pune IT City Metro Rail Limited	74.00%	Limited Consolidation
TRIL Urban Transport Private Limited	100.00%	Limited Consolidation
Hampi Expressways Private Limited	100.00%	Limited Consolidation
Uchit Expressways Pvt. Ltd.	100.00%	Limited Consolidation
Pune Solapur Expressways Private Limited	50.00%	Limited Consolidation to the extent of CG provided
Durg Shivnath Expressways Pvt. Ltd	100.00%	Limited Consolidation
Dharamshala Ropeway Ltd	74.00%	Limited Consolidation
Manali Ropeway Private Limited (Upto Aug 31, 2020)	72.00%	Limited Consolidation
Matheran Ropeway Private Limited	70.00%	Limited Consolidation
Arrow Infraestate Pvt. Ltd.	75.50%	Limited Consolidation
Gurgaon Constructwell Pvt. Ltd.	75.50%	Limited Consolidation
International Infrabuild Private Limited	26.00%	Limited Consolidation
Infopark Properties Limited	51.00%	Limited Consolidation
Industrial Minerals and Chemicals Private Limited	74.00%	Limited Consolidation
Mikado Realtors Private Limited	74.00%	Limited Consolidation to the extent of LOC provided
TRIL IT4 Private Limited	100.00%	Limited Consolidation
Gurgaon Realtech Ltd.	75.50%	Limited Consolidation
Acme Living Solution Private Limited	100.00%	Limited Consolidation
TRIF Gurgaon Housing Projects Private Limited	100.00%	Limited Consolidation
Wellkept Facility Management Services Pvt. Ltd.	100.00%	Limited Consolidation
HV Farms Private Limited	100.00%	Limited Consolidation
TRIL Bengaluru Real Estate One Private Limited	100.00%	Limited Consolidation
TRIL Bengaluru Real Estate Two Private Limited	100.00%	Limited Consolidation
TRIL Bengaluru Real Estate Three Private Limited	100.00%	Limited Consolidation

Company Name	TRIL Ownership	Consolidation Approach
MIA Infrastructure Private Limited	100.00%	Limited Consolidation

Source: Company

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