

Elnet Technologies Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE A-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The issuer rating reaffirmed to Elnet Technologies Limited (ETL) continues to derive strength from the established track record of its operations, favourable location of the IT Park, healthy occupancy levels, comfortable capital structure and adequate liquidity. However, rating strengths continue to be constrained by the company's relatively small scale of operations with presence in single location, risk associated with the renewability of lease agreements, and counterparty credit risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in the total operating income (TOI) while maintaining low leverage profile

Negative factors

- Significant increase in the debt level for capital expenditure, leading to increase in overall gearing of the company to above 0.40x.
- Substantial decrease in occupancy level.
- Incremental exposure to the group companies, which may lead to moderation in the liquidity profile.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings Limited's (CARE Ratings') belief that the company will continue to derive benefit from healthy occupancy levels with minimal debt, favourable location of the asset and adequate liquidity.

Detailed description of key rating drivers:

Key strengths

Established track record of operations with diversified clientele

Incorporated in 1990, ETL is one of the first IT Parks developed in Chennai on a land measuring 3.16 acres. The land was handed over for development of IT Park through a government order in 1991 and the commercial operations began in 1996. The IT Park has a leasable space of 2.30 lsf and has been leased out to multiple small and mid-sized players. The IT Park has a stable track record of operations, and the property's overall occupancy level remained over 80% in the last five years. The client base is mostly small and mid-sized players with majority of them being backend service and support providers in IT/ITES to various industries. Average floor area of the IT Park ranges from 3,500 sq. ft. to 10,000 sq. ft.

Favourable location of IT Park

The IT Park is in the region encompassing Taramani and Thiruvanmiyur on Old Mahabalipuram Road (OMR), which is known as the IT hub of Chennai. The region has emerged as a preferred office destination by the IT/ITES sector, concentrated by top global players in the industry. Its proximity to the city centre, easy access to the airport, availability of good quality office buildings, good connectivity by roads & rail (MRTS), developed social infrastructure and presence of key residential areas in its vicinity are key demand contributors to attract major IT/ITES occupiers.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Healthy occupancy levels

The asset's occupancy level stood healthy at 80% as on November 30, 2024, as corporates continued to remain committed towards work from office/hybrid model over work from home. In the last three fiscals, the occupancy level stood strong over 80%. Considering satisfactory occupancy level, the company continues to enjoy consistent revenue stream with TOI of ~₹25 crore. The lease agreements are generally for a period of 3-5 years with a lock-in period of 1-5 years with in-built escalation clause of lease rent hike of 5% every year.

Comfortable capital structure

ETL's capital structure is marked by low overall gearing, which stood at 0.03x as on March 31, 2024. The company has not availed any long-term loans or working capital facility. As on March 31, 2024, total debt outstanding is ₹4.26 crore in the form of unsecured loans availed from the group entity, 'Stur Technologies'. Currently, there are no plans for expansion or availing additional debt, and hence, the company's financial risk profile is expected to remain comfortable.

Key weaknesses**Renewal risk of lease contracts**

ETL has entered into lease agreements with various tenants, with most of them ranging for a term period of 3–5 years with the lock-in period of 1-5 years. Post this, tenants have an option to terminate lease agreement by giving six months' notice without charges. In the next 12 months, lease contracts for over 26% of occupied area are due for renewal. Hence, the company is exposed to renewal risk for these contracts. However, demonstrated track record of renewals in the past mitigates the risk to a large extent. CARE Ratings draws comfort from the fact that majority of the tenants have carried out their own fit-outs, which enhances tenant stickiness.

Counterparty risk

The company is exposed to counterparty risk as majority tenants are small and mid-sized IT/ITES players providing back-end support services to various industries. However, comfort is drawn from the company undertaking necessary due diligence of each tenant before entering a lease agreement and securing 10 months rental as security deposit (for majority tenants). As on March 31, 2024, ETL holds cancellable and non-cancellable deposits related to lease rentals to the tune of ₹13.01 crore. The total rental receivables from tenants stood low at ₹2.53 crore.

Relatively small scale of operations with presence in single location

ETL has only one operating IT Park, which has an average floor plate space ranging from 3,500 sq. ft. to 10,000 sq. ft., thereby attracting only small/mid-sized companies as tenants. Also, the IT Park is in the proximity to larger ones such as Ramanujam IT City (45 lsf) and Tidel Park (12.8 lsf), which offer wider floor plates and premium facilities/amenities.

However, it is partly mitigated by prime location of the asset, competitive rate, long-term stickiness of clients, and steady occupancy levels. Also, the concentration risk is low due to diverse tenants occupying the premises and no particular tenant is occupying over 15% of the total leasable area.

Liquidity: Adequate

ETL's liquidity profile is adequate with sufficient cash accruals against no long-term repayment obligations. The company holds cash and cash equivalent of close to ₹115 crore, mainly in the form of bank fixed deposits as on September 30, 2024. The company does not have any debt, with the working capital requirements being met by internal accruals without any debt.

Assumptions/Covenants – Not applicable**Environment, social, and governance (ESG) risks – Not applicable****Applicable criteria**

[Definition of Default](#)

[Issuer Rating](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Rating methodology for Debt backed by lease rentals](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

ETL (CIN no: L72300TN1990PLC019459) is a Chennai-based company engaged in developing and maintaining software technology parks. ETL is a JV promoted by Electronics Corporation of Tamil Nadu Limited (ELCOT - a Government of Tamil Nadu Undertaking) with 26% holding, Stur Technologies Private Limited (STPL; formerly New Era Technologies Private Limited) with 11.25% holding, Southern Projects Management Private Limited (SPMPL) with 6.36% holding, and Shanmugam Thiagarajan – Individual holding ~9.24% aggregating to total promoter's holding of 52.85%. ETL established an IT Park - Elnet Software city (ESC) at Old Mahabalipuram road (OMR), Taramani, Chennai. The land was handed over for development of IT Park through a government order in 1991 and commercial operations begun in 1996. In 1999, ELCOT (Electronics Corporation of Tamil Nadu Limited) had acquired the land from Government of Tamil Nadu and agreed to lease it to ETL for 90 years from 1999. The IT Park is an integrated block of two towers with a leasable area of 2.30 lakh square feet (lsf). Since inception, the IT Park has been enjoying healthy occupancy levels. ETL is a listed entity with promoter shareholding of ~52.85%, Government shareholding of 0.17%, and ~46.98% is held by public.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1 FY25 (UA)
Total operating income	24.61	26.15	16.66
PBILDT	15.78	17.56	12.45
PAT	13.70	17.49	8.50
Overall gearing (times)	0.03	0.03	0.03
Interest coverage (times)	24.71	26.69	51.88

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE A-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE A-; Stable	-	1)CARE A-; Stable (08-Jan-24)	1)CARE A-; Stable (27-Jan-23) 2)CARE A-; Stable (26-Dec-22)	1)CARE A-(Is); Stable (30-Dec-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated:** Not applicable**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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