IG3 Infra Limited
March 20, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable [Triple B Minus; Outlook: Stable] and Withdrawn
Total Facilities	**-**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding rating of 'CARE BBB-; Stable' [Triple B Minus; Outlook: Stable] assigned to the bank facilities of IG3 Infra Limited (IG3) with immediate effect.

The rating assigned to the bank facilities of IG3 Infra Limited takes into account the strategic location of the property, healthy occupancy levels in Phase I & Phase II Block 1 and completion of civil work of Phase II Block 2. Further, the rating also derives strength from experienced promoters, existence of long-term lease agreements with reputed clients and presence of an escrow mechanism.

The rating is, however, constrained by the moderate coverage indicators, inherent lease agreement renewal risk, income concentration from a single tenant and exposure to group companies and other non-cash generating projects.

The above action has been taken at the request of IG3 Infra Limited and submission of 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters

The promoters have over two decades of experience in the real estate/ construction business. Ms Unnamalai Thiagarajan, founder promoter, is the Managing Director of IG3. IG3 is managed and controlled by its Board of Directors, under the Chairmanship of Mr C Ramachandran, IAS (Retired).

Prime location of the property

Phase I of 'Chennai One' is the first IT Park in the SEZ near Chennai's IT corridor, Old Mahabalipuram Road (OMR) and is relatively close to the city in terms of distance. The region has emerged as a much preferred office destination by the IT/ITeS sector.

Phase I of the IT Park has been fully occupied since the start of its operations in December 2006. During FY15, Phase II Block 1 was completed and started leasing. As on date, Phase II Block 1 has been occupied over 90%. Further, IG3 has completed the civil construction of the Phase II Block 2 during FY20 and started to lease-out the area.

Structured payment mechanism with escrow account

IG3 had refinanced its entire outstanding bank facilities during FY19 and 9mFY20. The loans envisage a structured payment mechanism wherein the existing and future rentals from both the phases of the IT Park would be routed through an escrow account. Further, the company also maintains a Debt Service Reserve Account (DSRA).

Presence of long-term lease tie-ups with reputed lessees with periodic escalation clauses

IG3 has entered into long-term lease agreements with most of its clients and the lease agreements also provide for periodic escalations. The property is currently leased out to reputed IT companies for lease period ranging from 5 to 10 years and lock-in period ranging from 3 to 10 years. The presence of such long-term lease agreements and lock-in period provide long-term revenue visibility for the company.

Key Rating weaknesses

Revenue concentration and roll over risk

Of the total space let out (Phase I & Phase II Block 1), TCS alone occupies over 50% of the total area. This exposes the company to revenue concentration risk from a single tenant. Further, the tenure for LRD loans is 15 years, whereas, lease agreements of leased area have a lock-in period in the range of 3 years to 10 years, leading to rollover risk. Further, the tenants can terminate a lease by giving three months' notice.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Moderate coverage indicators

As on date, Phase I operates at almost full occupancy levels, while Phase II Block 1 operates at over 90% occupancy levels. Phase II Block 2 is leased around 40% and the company is in the process of tying-up remaining area. While, the occupancies in Phase I and Phase II Block 1 provide moderate comfort to the cash flows, the ability of the company to sustain these occupancies and scale-up occupancy in Phase II Block 2 will be critical given the high debt levels and step up EMIs.

Exposure to group companies and other non-cash generating projects

Besides investments in Phase I and Phase II, IG3, in the past had also invested in debt-funded projects including a mall at Coimbatore, thermal power plant at Erode and a Disaster Recovery site at Bengaluru. Further, as on March 31, 2019, the company had investments and outstanding loans & advances extended to related parties and subsidiaries to the tune of Rs.438.58 crore. The exposure to the group companies and other projects provide limited capital cushion to IG3.

Analytical approach: Standalone

Applicable Criteria

Policy on Withdrawal of ratings
Criteria on assigning 'outlook' and 'credit watch' to credit ratings
CARE's Policy on Default Recognition
Rating Methodology for debt backed by Lease Rental Discounting (LRD)
Financial ratios – Non-Financial Sector

About the Company

IG3 (formerly known as Indian Green Grid Group Limited) is a Chennai-based company engaged in the business of developing and maintaining comprehensive infrastructure facilities like IT Parks / IT SEZ. IG3 is currently operating an IT SEZ (C1) in Chennai. IG3 was promoted by Ms Unnamalai Thiagarajan & her Associates along with Elnet Technologies Limited (ETL) in the year 2004.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	178	196
PBILDT	124	130
PAT	(11)	(2)
Overall gearing (times)	2.04	2.48
Interest coverage (times)	1.42	1.28

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	-	-	-	0.00	Withdrawn
Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (12-Feb-18) 2)CARE D (25-Apr-17)	1)CARE D (11-Apr-16)
2.	Fund-based - LT-Lease rental discounting/	LT	-	-	-	1)CARE BBB- (SO);	1)CARE BB+ (SO); Stable	-

	Rent Receivables Financial					Stable (05-Oct-18)	(12-Feb-18)	
3.	Fund-based - LT-Lease rental discounting/ Rent Receivables Financial	LT	-	-	-	1)CARE BBB- (SO); Stable (05-Oct-18)	1)CARE BB+ (SO); Stable (12-Feb-18)	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

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