

Press Release

Indo Global Soft Solutions and Technologies Private Limited

February 18, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Bank Facility – Lease Rental Discounting*	163.00	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
	Total	163.00	

**Ratings specific to LRD facility availed from UBI*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced management, steady flow of lease rentals from lessee and escrow with waterfall mechanism. However, the rating strengths are partially offset by exposure to lease contract renewal risk and exposure to volatility in interest rates and occupancy level.

Key Rating Sensitivities

Upward rating factor(s)

- Sustained lease rental income from the lessee

Downward rating factor(s)

- Decline in projected cash flows due to lower-than-anticipated cash flows driven by low lease rentals and/or occupancy.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Management:

Indo Global Soft Solutions & Technologies Private Limited (Indo) is a part of Radius Group, led by Mr. Sanjay Chhabria. The promoter has been in the real estate industry for over 24 years and is highly regarded in financial services industry and the office space's markets.

Steady flow of lease rentals with its clients:

Indo benefits from the steady lease rentals from its project ‘Radius Tech Park’, Pune. The company has reported lease rentals of Rs. 22.43 crore in FY19 compared to Rs. 21.58 crore in FY18. The existing tenant list includes Symphony Teleca Corp India Private Limited (Now Harman Connect), Brintons Carpets Asia Pvt Ltd, Cognizant Technology Solution Pvt. Ltd., Lumedx Healthcare Technologies (I) Pvt Ltd, Marathon Electric (I) Pvt. Ltd. Indo enters into agreements with its clients for limited tenures ranging from 3 to 5 years. Apart from the rentals, the lessees are required to share the common area maintenance charges of the commercial place. The location being an IT hub also results in an added advantage for gaining future demands.

Escrow with waterfall mechanism:

The waterfall mechanism attached to the escrow account ensures that the lease rental receivables are escrowed to meet the principal repayment and interest payments.

Key Rating Weaknesses

Exposure to contract renewal risk:

The premises owned by the company (Indo) are given on operating lease with the initial lease terms ranging from 3 to 5 years. These leases are further subject to enhancement of rent on the expiry of subsequent lease period. The company thus is exposed to the risk pertaining to timely renewal/leasing at similar or better terms than the existing terms. The risk, however, is relatively low given the strategic location of the property.

Exposure to volatility in interest rates and occupancy level:

Any upward movements in the interest rates can put negative pressure on company liquidity and thus exposes it to interest rate volatility risk. The real estate sector in India is cyclical and volatile, resulting in fluctuations in demand any fall in demand can also put pressure on company cash flow generation capacity. However, lock-in period clause mitigate the risk to some extent.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)*

Financial Ratios & Interpretation (Non-Financial Sector)

Infomerics Valuation and Rating Pvt. Ltd.



* The assigned ratings are based on the structured repayments mechanism and escrow agreement with Union Bank of India for the term loan of Rs.163.00 crore.

Liquidity: Adequate

Term debt obligation of Rs. 163.00 crore are structured to be paid out of rental income through an escrow account. The company generates adequate lease rentals, the surplus from which is marginally enough to cover the debt repayment obligations. The cash flow of the company is expected to improve on the account of increase in rental income at the rate of 15% after three years as per their agreements with its lessees.

About the Company

Indo Global Soft Solutions & Technologies Private Limited (Indo) was incorporated on December 26th, 2005. The company is engaged primarily in leasing in commercial properties to earn lease rentals and for capital appreciation. It also undertakes development management of residential projects.

Financials:

	(Rs. Crore)	
For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	114.81	146.68
EBITDA	103.52	119.29
PAT	-4.78	-36.72
Total Debt	1106.42	899.97
Tangible Net-worth	86.02	40.63
<u>Ratios</u>		
EBITDA Margin (%)	90.16	81.33
PAT Margin (%)	-4.17	-25.03
Overall Gearing Ratio (x)	12.86	22.15

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Term Loan – LRD Facility*	Long Term	163.00	IVR BB+/ Stable Outlook	--	--	--

**Ratings specific to LRD facility availed from UBI*

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

Name: Parth Dattani

Name: Amit Bhuwania

Tel: (022) 62396023

Tel: (022) 62396023

Email: pdattani@infomerics.com

Email: abhuania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan – LRD Facility*	NA	NA	NA	163.00	IVR BB+/ Stable Outlook

**Ratings specific to LRD facility availed from UBI.*