



Press Release

IBC Knowledge Park Private Limited (IBCKPPL)

April 25, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Lease Rental Discounting (LRD)	1177.43	IVR A/ Stable (IVR Single A with Stable Outlook)	Assigned	Simple
Total	1177.43 (Rupees One Thousand One Hundred Seventy-Seven Crore and Forty-Three Lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of IBC Knowledge Park Private Limited factors in the experience of promoters and management team, master lease agreement with the clients, strategic location of the property, reputed lessees minimising counter party risk, stable cashflow from lease rentals and healthy occupancy level, escrow mechanism and DSRA support.

The ratings, however, are constrained by substantial exposure in group companies' client concentration risk & renewal risk of master lease agreement and susceptibility to cyclicalities inherent in the Real Estate sector.



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Key Rating Sensitivities:

- Upward Factors

Significant change in macroeconomics factors.

- Downward Factors

Any company related and/or external factor leading to less than projected cash flows will lead to a rating downgrade.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management team

The company IBC Knowledge Park Private Limited is established by Mr. Yunus Zia, Mrs. Sharmeen Yunus, Mr. Danish Sheriff, Mr. Azeem Sheriff. The promoters have a vast industry knowledge, having worked in the real estate market for over twenty years . Together with a knowledgeable management group, the promoters oversee the company's daily operations. Due to the promoters' vast experience, they have been able to secure leasing agreements from notable companies.

Master lease agreement with the clients

IBCKPPL currently operates two software technology parks, IBC Knowledge Park, Bannerghatta Road and Diamond District, Bangalore. There follows a Master Lease Agreement between IBC Knowledge Park Private Limited (Lessor) and its multiple tenants (Lessee).

Strategic location of the property

IBCKPPL's existing assets are in strategic locations, near Koramangala (IBC Knowledge Park, Bannerghatta Road) and Domlur (IBC Knowledge Park, Diamond District) and proximity to the vibrant neighborhood of Koramangala and MG road surrounded by hotels and retail



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destinations wherein there is healthy demand for commercial office spaces. The quality development with amenities, favourable location of the project and competitive rental rates lead to reduced occupancy risks.

Reputed lessees minimising counter party risk

IBCKPPL has built and maintained long standing relationships with reputed MNC's that include Reliance Projects and Property Management Services Limited, Ather Energy Private Limited, Bharti Airtel Limited, BCD Travel India, Ingersoll Rand Tech and Services Private Limited, Medi Assist Healthcare, Think and Learn, NEC Technologies, Rambus Chip Technologies, Temenos India, Phasorz Technologies Private Limited, etc. Having reputed tenants helps minimizing counter party credit risk in lease rental discounting type of structures.

Stable cash flow from lease rentals supported by healthy occupancy rate

IBCKPPL leases its space to approximately 80 MNC's and maintaining healthy relationships with them, which provides a consistent monthly flow of income. The total income of the company stood at INR 250.07 crore as on March 31, 2023, as against INR 229.24 core as on March 31, 2022. Total income is estimated to be around INR 300.00 crore as on March 31, 2024. Projections indicate a promising outlook, with a constant increase in Lease Rental Receivables over the years. Additionally, occupancy rates at around 93% for both buildings continue to be healthy.

Escrow mechanism and DSRA support

The company has maintained DSRA for instalment and interest, as per the sanction term equivalent to maximum of 6 months' repayment with the lender banks. An Escrow account is maintained by the Company in which rental incomes are deposited directly by the tenants.

Comfortable financial risk profile

The capital structure of the company remained comfortable marked by overall gearing of 2.07x in FY23 (FY22: 2.10x) and TOL/TNW of 1.84x in FY23 (FY22: 1.86x). Debt protection matrix was moderate marked by ISCR of 1.79x in FY23. However, the adjusted tangible net worth becomes negative due to exposure in group companies in the form of equity investment & inter companies deposit and advances.



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Key Rating Weakness

Client concentration risk & renewal risk of master lease agreement

Out of the total 93% occupancy almost 23% is leased out to 5 tenants namely- Reliance Projects and Property Management Services Private Limited, Alten Calsoft Labs India, Rambus Chip Technologies (India) Private Limited, Ingersoll Rand Tech & Services Private Limited and BCD Travels Private Limited. This leads to client concentration risk as any non-renewal of existing clients, or any downward revision of rentals can jeopardize the company's cashflows.

Substantial exposure in group companies

IBCKPPL has significant exposure in its group companies/ subsidiaries in the form of Equity and Debt infusion. Any adverse performance/development in group companies can impact the surplus liquidity position of the IBCKPPL as it has a strong moral obligation towards them.

Susceptibility to cyclicity inherent in the real estate sector

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements market preferences.

Analytical Approach: Standalone

Applicable Criteria:

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Lease Rental Discounting \(LRD\) - Rating Methodology](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity: Adequate

The liquidity profile is adequate backed by stable rental inflows which are sufficient to cover the maturing debt obligations. Also, the rated loan is backed by liquidity support in the form of DSRA as per the sanction term. The firm maintains cash and cash equivalent amounting to INR 149.78 Crore as on March 31, 2023.

About the company

IBC Knowledge Park Pvt Ltd (IBCKPPL), a real estate business based in Bangalore, was founded in 2002 and specializes in the development and leasing of commercial spaces. The company's two commercial properties in Bangalore's IBC Knowledge Park Diamond District (Total Leasable Area- 4.53 lakh square feet) and IBC Knowledge Park Bannerghatta Road (Total Leasable Area- 19.18 lakh square feet) are leased, providing earnings. The combined leasable area of the two properties is 23.71 lakh square feet. The company is in the process of further construction of around 6.00 lakh square feet of leasable area which is expected to be completed by FY26. The construction will be funded by internal accruals.

Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	228.52	248.70
EBITDA	183.09	185.08
PAT	65.34	57.03
Total Debt	1207.66	1306.56
Tangible Net worth	574.93	631.41
EBIDTA Margin (%)	80.12	74.42
PAT Margin (%)	28.51	22.80
Overall Gearing ratio (X)	2.10	2.07

**Classification as per INFOMERICS' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.



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Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding/Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan (Lease Rental Discounting)	Long Term	1177.43	IVR A/ Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund based Bank Facilities (LRD)*	-	-	Varies up to 2039	1177.43	IVR A/ Stable

*LRD- Lease Rental Discounting

Annexure 2: List of companies considered for consolidated analysis: NA.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-IBCKnowledge-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable

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.