



## Press Release

### Intercontinental Infrastructure Limited (IIL)

July 10, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	143.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Total	143.00 (Rupees One Hundred Forty Three crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of IIL which continues to derives strength from its experienced promoters, good reputation of lessee along with steady flow of lease rentals, maintenance of DSRA and Escrow mechanism and strategic location of the property. However, these rating strengths are partially offset by exposure to intense competition, renewal risk of master lease agreements, exposure to risks relating to cyclicity in real estate sector and customer concentration risk.

The Stable Outlook of IIL reflects benefit from its promoters industry experience and long-term lease agreement with the reputed client.

#### Key Rating Sensitivities:

##### Upward Factors

- Timely receipt of the lease rentals
- Renewal of upcoming expiring lease at higher than present rates along with more favourable terms leading to generation of more than expected cash surplus.

##### Downward Factors

- Non- renewal/ fresh tie-ups at competitive rates upon the expiry of lease tenor/termination of lease agreement with any of the tenants leading to reduction in occupancy rates and/or cash surplus



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters**

Hyderabad based, IIL is promoted by Mr. Chilappagiri Laxmi Rajam and Ms. Chilappagiri Vijaya. Further, Mr. Chilappagiri Srikanth and Ms. Chilappagiri Soumya are the directors of the company and Mr. P R K Prasad and Mr. Jivamohan Divakar are the independent directors of the company. All the directors and independent directors are having experience of more than two decades in real estate business.

- **Good reputation of lessee along with steady flow of lease rentals**

The company has given its commercial tower on lease to Unimed Health Care Private Limited (UHCPL) for a tenor of 20 years including lock-in-period of 7 years. Total area leased by IIL is 467756.12 sq. ft. out of which loading area is 167756.12 Sq. Ft. and chargeable area is 300000 sq. ft. UHCPL runs a chain of hospitals under 'Star Hospital' brand. Star Hospital has an established presence in Hyderabad. IIL is expected to continue to generate healthy cash flows through lease rates, occupancy levels and locational advantage; thus, continuing to support the risk profile of the company for the medium term.

- **Maintenance of DSRA and Escrow mechanism**

As per the terms of sanction, there is an escrow account mechanism in place as per which all rent receivables are to be directly deposited into the escrow account and utilized first for debt servicing before release of any surplus cash flows. The presence of an escrow mechanism provides comfort in the form of restricting cash flow fungibility. Furthermore, the company maintains debt service reserve account (DSRA) equivalent to two months interest & instalment.

- **Strategic location of the property**

The commercial buildings namely "Intercontinental Tower" strategically located in Nanakramguda, Hyderabad. It is located in western suburb of Hyderabad, strategically located along with crucial Nehru Outer Ring Road (Nehru ORR). It is a well-known employment hub in the city, comprising several business centres, IT parks and special economic zones (SEZs).



## Press Release

### Key Rating Weaknesses

- **Exposure to intense competition**

ILL is exposed to intense competition from various commercial leasing players operating in the surrounding areas. This could exert pressure on the rentals and occupancy rates. Any adverse movement in the rental yield will remain a key rating sensitivity.

- **Renewal risk of master lease agreements**

The lock-in period is 7 years after which the clients can move out by serving the notice period. Going forward, the company's ability to avoid any premature termination of lease agreements is to be seen. Timely renewal of agreements will remain a key sensitivity over the medium term.

- **Exposure to risks relating to cyclicalities in real estate sector**

Cyclicalities in the real estate segment could lead to fluctuations in cash inflow because of volatility in realization and saleability.

- **Customer concentration risk**

ILL has wholly leased out its property under consideration only to one lessee. However, this risk gets mitigated to some extent as the lease agreement has been entered for a long tenor with renewal option and the lessee is of repute with sufficient lock in period

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Lease Rental Discounting \(LRD\)](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

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

**Liquidity** – Adequate



## Press Release

The cashflows from operations shall be adequate to service the monthly obligations, aided by rental income. The lease rental discounting loan has an escrow mechanism which prioritizes debt repayment before any other utilization and is also backed by DSRA equivalent to 2 months of the interest and instalment payments. IIL maintains cash and cash equivalent amounting to Rs.5.14 crore as on March 31, 2024 (P) (period refers from April 1,2023 to March 31, 2024).

### **About the Company**

IIL was incorporated in the year 2003 by Mr. Chilappagiri Laxmi Rajam. The company is primarily engaged in consultancy contracts for infrastructure projects. Further, the company is also engaged in buying/selling/developing real estate. IIL has completed a 330,000 sq. ft, commercial complex at Nanakramguda named as “Intercontinental Tower”. The company has given its commercial complex on lease to ‘Unimed Health Care Private Limited’ for a tenor of 20 years including lock-in-period of 7 years. Lessee has taken whole commercial complex on lease, hence all the other expenses and CAM expenses are borne by lessee. The company is in process to develop a residential project named as ‘The Urbana’. The project is located in Chakan, Pune.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	16.28	21.50
EBITDA	10.33	13.39
PAT	8.56	13.36
Total Debt	76.54	152.00
Tangible Net Worth	116.15	129.51
EBITDA Margin (%)	63.45	62.28
PAT Margin (%)	38.08	37.52
Overall Gearing Ratio (x)	0.66	1.17
Interest Coverage (x)	2.11	1.29

\* Classification as per Infomerics’ standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil



## Press Release

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (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
					May 11, 2023	-	-
1.	Term Loan - LRD	Long Term	143.00	IVR BBB/ Stable	IVR BBB/ Stable	-	-

### Analytical Contacts:

Name: Nilesh Gupta	Name: Amey Joshi
Tel: (022) 62396023	Tel: (022) 62396023
Email: <a href="mailto:nilesh.gupta@infomerics.com">nilesh.gupta@infomerics.com</a>	Email: <a href="mailto:amey.joshi@infomerics.com">amey.joshi@infomerics.com</a>

### 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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and



## Press Release

information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan - LRD	-	-	-	September 2037	143.00	IVR BBB/ Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Intercontinental-july2024.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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](http://www.infomerics.com).