



## Press Release

### Rattha Holding Company Private Limited

March 20, 2024

#### Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long Term Bank Facilities – LRD Loans	454.96 (Reduced from Rs. 465 Crores)	IVR BBB / Stable Outlook [IVR Triple B with Stable Outlook]	Revised and removed from ISSUER NOT COOPERATING category	<a href="#">Simple</a>
<b>Total</b>	<b>454.96</b> <b>(Rupees Four Hundred &amp; fifty-four crores &amp; ninety-six lakhs Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Rattha Holding Company Private Limited derives strength from established track record of Rattha group, favourable project locations, escrow mechanism and structured payment waterfall. The rating is however constrained by renewal risk of master lease agreements, susceptibility to cyclicalities inherent in the Real Estate sector further aggravated by Covid-19.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial & sustained improvement in revenue and/or profitability.
- Timely receipt of payments from counterparties.



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### **Downward Factors**

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

### **List of Key Rating Drivers with Detailed Description**

#### **Established track record of Rattha group**

Rattha group has presence in Clothing, Hospitality, Healthcare, Infra & Housing Development, Co-Workspaces. The group has developed and delivered around 2.5 million sq. ft. of land. The group is diversified into development of IT parks, SEZ's and the smart office spaces on one hand and the residential projects on the other under M/s. Rattha Holding Company Private Limited. The company is operating two IT parks namely, Tek Meadows and Tek Towers in OMR (Old Mahabalipuram Road – Chennai) and has invested in Rattha Somerset Greenways, Aether Space Development and Grande City Development.

#### **Favourable project location**

The project 'TEK Meadows' is located along Rajiv Gandhi Salai (the designated 'IT Corridor' of Chennai) in Sholinganallur market, Chennai. It is spread across a land area of approx. 8.17 acres of which approx. 6.37 acres has been developed as a commercial IT/ITeS development with a cumulative leasable area of approx. 780,928 Sq. ft. Similarly, the project 'TEK Tower' is located along Rajiv Gandhi Salai and enjoys adequate frontage along the access road. It is an operational commercial property admeasuring a total leasable area of approx. 244,176 sft. located along Rajiv Gandhi Salai, Thoraipakkam, Chennai. Project location is surrounded by all necessities and conveniences including shopping centres, healthcare centres, education institutes, business centres, restaurants which can be accessible easily. Rajiv Gandhi Salai has emerged as an important commercial vector of Chennai with establishment of significant commercial activity primarily focused on IT / ITeS SEZ and non-SEZ buildings.

#### **Escrow mechanism and structured payment waterfall**

The main bank loan facility has been structured in the form of a Lease Rental Discounting (LRD) facility. The terms of the LRD facility require that the lease rent receivables from all the tenants to be routed directly to an Escrow Account set up specifically for the repayment of the



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said LRD facilities. The lease rent amounts deposited into the Escrow Account would be applied towards statutory dues and the scheduled interest and principal repayments of the LRD facilities as per the payment waterfall. Only after fulfilling the repayments towards the LRD facility, any amounts remaining in the Escrow Account would be allowed to be paid out to the company.

### **Key Rating Weaknesses:**

#### **Renewal risk of Master Lease Agreements**

Renewal risk arises from the fact that the master lease agreements have been entered with different parties for various tenors ranging from 5 to 10 years. Majorly, the lease rent is being enhanced every 1-3 years at the rate of ~5% to 15% over the last paid lease rent.

#### **Susceptibility to cyclicality inherent in the Real Estate sector further aggravated by Covid-19**

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. The uncertainty pertaining around Covid-19 also dents the demand of commercial as well as residential real estate demand.

**Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

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

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

### **Liquidity –Adequate**

The liquidity position is projected at an adequate level with the cash cover above unity over FY24-FY37. It is expected to improve y-o-y with increase in lease contracts and reducing debt with scheduled repayments. Even after sensitising the cash flows at the rate of 20.00%,



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projected cash inflows are sufficient to meet the debt repayment obligations. The overall liquidity position of the company is Adequate.

### **About the Company:**

Rattha group has presence in Clothing, Hospitality, Healthcare, Infra & Housing Development, Co-Workspaces. The group is diversified into development of IT parks, SEZ's and the smart office spaces on one hand and the residential projects on the other under M/s. Rattha Holding Company Private Limited which was incorporated in September 2004 in Chennai. The company was established with an objective to acquire, promote, construct, develop, etc residential or commercial including Industrial and Info Tech Parks & to carry on any business of Investment Company, Real Estate, Software Tech Park and others. The company has developed and delivered around 2.5 million sq. ft. of land.

The company is operating two IT parks namely, Tek Meadows and Tek Towers in OMR (Old Mahabalipuram Road – Chennai) and has invested in Rattha Somerset Greenways, Aether Space Development and Grande City Development.

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

For the year ended/ As on*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Income	52.14	69.91
EBITDA	33.78	47.67
PAT	-9.64	-3.02
Total Debt	482.42	501.18
Adjusted Tangible Net Worth	31.93	24.67
EBITDA margin (%)	64.78	68.20
PAT margin (%)	-17.31	-3.61
Adjusted Overall Gearing Ratio (times)	13.97	19.05

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** None



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### Rating History for last three years:

Sr. No	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20
1.	LRD Loans	Long term (LRD Loans)	454.96	IVR BBB/ Stable	IVR BBB/ Stable	-	-

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)



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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
LRD Loans	-	-	May - 2037	365.00	IVR BBB/ Stable
LRD Loans	-	-		100.00	IVR BBB/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details: Facility Wise Lender Name – Rattha Holding Company Private Limited**

**Annexure 4: Detailed explanation of covenants of the rated instrument/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](http://www.infomerics.com)