

September 13, 2023

## Tata Realty and Infrastructure Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture	3,000.0	3,000.0	[ICRA]AA+ (Stable); Reaffirmed
Commercial paper	2,200.0	2,200.0	[ICRA]A1+; Reaffirmed
<b>Total</b>	<b>5,200.0</b>	<b>5,200.0</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of ratings for Tata Realty and Infrastructure Limited (TRIL) continues to favourably factor in its diversified investment portfolio, which comprises a mix of real estate projects, including 18.2 million square feet (msf) of commercial office space<sup>1</sup>, 0.1 msf of retail, completed and unencumbered residential real estate inventory of 0.24 msf, and infrastructure projects under the build-operate-transfer model in the road, metro and ropeway segments. The ratings consider the healthy cash cover for the operational projects (thereby requiring no/modest incremental financial support from TRIL). The ratings continue to derive comfort from TRIL's strong parentage by being a wholly-owned subsidiary of Tata Sons Private Ltd (TSPL, rated [ICRA]AAA(Stable)/ [ICRA]A1+), and the strategic importance of TRIL for the Tata Group, which is reflected in the composition of the board of directors, as well as financial support provided by TSPL by way of equity infusion in the past. TSPL has infused Rs. 3,375 crore till March 31, 2023, including Rs. 1,000 crore in FY2023. ICRA expects the demonstrated group support in the form of strategic, managerial and funding to TRIL to continue going forward.

The rating strengths are partially offset by the equity commitment/support towards its portfolio of assets, which stood at ~Rs. 1,500 crore as on March 31, 2023 (of this ~Rs.1,300 crore has already been infused till Aug 31, 2023). These are to be met over the next two years and the same will be funded through a mix of liquidity and additional debt. Timely commissioning of under-construction projects, within their budgeted costs, would remain a key monitorable and any materially higher-than-expected debt-funded support to its investee companies would remain a rating sensitivity. The ratings take into account the inherent risks in implementation of the entity's first Metro project which is scheduled for completion by March 2025 and the revenue risks, given the DBFOT mode of execution. ICRA notes the explicit support that TRIL has provided to the borrowing programme of some of the investee companies. Any deterioration in the credit profile of these investee companies could result in a crystallisation of the contingent liabilities and, thus, will remain a key monitorable. Further, the company is exposed to moderate refinancing risks, owing to a high proportion of medium-term debt, resulting in Rs. 1,025 crore of debt repayment obligations during the next 18 months. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a part of the Tata Group, which is also evident from the demonstrated track record of timely debt refinancing in the past at the competitive rates.

ICRA notes the 49% stake sale in Ramanujan IT City, Chennai and Intellion Edge, Gurgaon in FY2023, the proceeds from which were utilised to pare down the debt at TRIL; to Rs. 1,525 crore as on March 31, 2023 from Rs. 4,056 crore as on March 31, 2022. Going forward, while the debt is expected to increase due to company's acquisition plans (TRIL has recently acquired, a land parcel in Bangalore, through a wholly owned subsidiary), the same is expected to be ~Rs.3,000 crore by March 31, 2024. TRIL has invested Rs. 1,500 crore over the last three years including Rs. 500 crore in FY2023 to acquire a 43% stake in Tata

<sup>1</sup> Of these, ~7.3 msf is completed, and the balance ~11.0 msf is under construction/planning stage as of March 2023.

Housing Development Company Ltd (THDCL). The equity commitment in Pune Metro project, which is entirely infused as on August 31, 2023, was met by TSPL. Going forward, ICRA in its base case projections is not expecting any material financial support to THDCL and Pune Metro project from TRIL's operational cash flows. Nonetheless, ICRA believes TRIL entities will continue to receive adequate and timely financial support from TSPL, in case of any financial exigencies.

The Stable outlook reflects ICRA's belief that TRIL will continue to benefit from its diversified investment portfolio and it being a wholly-owned subsidiary of TSPL, providing it a strong refinancing and fund-raising ability.

## Key rating drivers and their description

### Credit strengths

**Strong parentage by virtue of being a wholly-owned subsidiary of Tata Sons Private Limited** – TRIL is a wholly-owned subsidiary of TSPL and strategically important to the Tata Group, given it is the flagship entity for investment in the infrastructure and commercial real estate verticals. The strategic importance of TRIL is evident from the representation of some key personnel of TSPL on the board of TRIL. Further, TSPL has provided timely financial support in the past and has infused Rs. 3,375 crore till March 31, 2023, including Rs. 1,000 crore in FY2023. ICRA expects the demonstrated group support in the form of strategic, managerial and funding to TRIL to continue going forward.

**Diversified portfolio of projects** – TRIL has a diversified investment portfolio, which comprises a mix of real estate (18.2 msf of commercial office space, 0.1 msf of retail, unsold inventory of 0.24 msf of residential space) and infrastructure projects in the road, metro and ropeway segments.

**Strong operational performance of projects** – TRIL has ~18.2 msf of commercial office space, of which ~7.3 msf is completed and the balance ~11.0 msf is under construction/planning (as of March 2023). Its commercial real estate projects in Mumbai, Chennai and Gurugram (Sector 72) continue to have high occupancy levels and are likely to perform well in the medium term. Further, its residential real estate projects in Kochi are complete. The unsold inventory is unencumbered and expected to provide cash flows in the near term. All the four toll road assets are operational and self-sufficient, with an annual toll collection of Rs. 659 crore against gross debt of Rs. 2,916 crore as on March 31, 2023. The Dharamshala ropeway project, that achieved COD on January 19, 2022, may need minimal support in FY2024, given its initial stages of operation.

### Credit challenges

**Exposed to refinancing risk** – The company is exposed to moderate refinancing risks, owing to high proportion of medium-term debt, resulting in Rs. 1,025 crore of debt repayment obligations during the next 18 months. However, ICRA has taken comfort from the strong financial flexibility enjoyed by the company, being a part of the Tata Group, which is also evident from the demonstrated track record of timely debt refinancing in the past at the competitive rates.

**Equity requirement towards its portfolio and explicit support to some of the investee companies** – TRIL has equity commitment/support towards its portfolio of assets, which as on March 31, 2023 stood at ~Rs. 1,500 crore (of this ~Rs.1,300 crore has already been infused till Aug 31, 2023). These are to be met over the next two years and the same will be funded through a mix of liquidity and additional debt. Timely commissioning of under-construction projects, within their budgeted costs, would remain a key monitorable and any materially higher-than-expected debt-funded support to its investee companies would remain a rating sensitivity. The ratings consider the inherent risks in implementation of the entity's first Metro project, which is scheduled for completion by March 2025 and the revenue risks, given the DBFOT mode of execution. ICRA has taken note of the explicit support that TRIL has provided to the borrowing programme of some of the investee companies. Any deterioration in the credit profile of these investee companies could result in a crystallisation of the contingent liabilities and, thus, will remain a key monitorable.

## Liquidity position: Adequate

The company's liquidity position remains adequate, with unencumbered cash balance and liquid investments of Rs. 81.0 crore, unutilised overdraft limit of ~Rs. 75 crore and available short-term loan of Rs. 200 crore as on August 31, 2023. In Q1 FY2023, it realised proceeds from monetisation, which has been partly used for debt reduction. While TRIL has NCD repayments due of Rs. 400 crore in November 2023, it plans to refinance the same, supported by its strong financial flexibility by being a part of the Tata Group which has helped, as has been demonstrated in the past, to raise funds at a short notice.

## Rating sensitivities

**Positive factors** – The crystallisation of scenarios for any rating upgrade is unlikely.

**Negative factors** – Pressure on the ratings of TRIL could arise if there is any higher-than-anticipated increase in leverage due to delay in asset monetisation or any significant cost overruns in the ongoing projects, or any substantial under-performance of its operational assets leading to enhanced refinancing risks. Further, deterioration in the credit profile of the parent or a decrease in shareholding or strategic importance of TRIL, will also remain a key rating sensitivity.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Ratings: A Note on Methodology</a> <a href="#">Rating Methodology for Holding Companies</a>
Parent/Group support	Parent Company: Tata Sons Private Limited (TSPL)  ICRA expect TRIL's parent, TSPL [rated <a href="#">[ICRA]AAA (Stable)/[ICRA]A1+</a> ], to be willing to extend financial support to TRIL, should there be a need, given the high strategic importance that TRIL holds for TSPL for meeting its diversification objectives and out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	For arriving at the ratings, ICRA has fully consolidated two entities and has used limited consolidation approach for twenty-four entities, under which the proposed equity investments for under-construction projects and funding support required to various subsidiaries towards debt servicing and operational shortfall have been considered. The list of companies that are consolidated to arrive at the rating are given in Annexure II.

## About the company

Tata Realty and Infrastructure Limited (TRIL), a 100% subsidiary of Tata Sons Private Ltd. (TSPL, rated [\[ICRA\]AAA \(Stable\)/\[ICRA\]A1+](#)), was incorporated on March 2, 2007 for undertaking various infrastructure and real estate projects by establishing special purpose vehicles (SPVs). TRIL's various business interests can be categorised into three segments, namely real estate, infrastructure and services. TRIL has invested directly in the real estate projects. Its investments in roads and urban transport projects, however, are through holding companies. Its operational portfolio consists of four real estate projects, one ropeway and four road projects. The company has a large under-construction portfolio comprising four commercial real estate projects, one ropeway projects and a metro project. It also provides project management and asset management services to its various SPVs.

### Key financial indicators (audited)

TRIL Standalone	FY2022	FY2023
Operating income (Rs. crore)	405.7	182.0
PAT (Rs. crore)	-5.2	-146.2
OPBDIT/OI (%)	64.8%	-6.2%
PAT/OI (%)	-1.3%	-80.3%
Total outside liabilities/Tangible net worth (times)	1.2	0.3
Total debt/OPBDIT (times)	15.4	-135.1
Interest coverage (times)	1.2	-0.1

Source: Company, ICRA Research

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation;

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

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current rating (FY2024)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Aug 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
								Sep 13, 2023
1	Non-convertible debenture	Long term	3,000.0	1745	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Commercial paper	Short term	2,200.0	470	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debenture	Very Simple
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here.](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE371K08151	NCD	12-Nov-20	7.30%	10-Nov-23	400	[ICRA]AA+(Stable)
INE371K08169	NCD	23-Dec-20	7.09%	21-Jun-24	300	[ICRA]AA+(Stable)
INE371K08185	NCD	17-Jun-21	6.50%	17-July-24	325	[ICRA]AA+(Stable)
INE371K08227	NCD	07-Aug-23	8.10%	06-Aug-26	510	[ICRA]AA+(Stable)
INE371K08219	NCD	07-Aug-23	8.25%	06-Aug-26	210	[ICRA]AA+(Stable)
Yet to be placed	NCD	-	-	-	1255	[ICRA]AA+(Stable)
INE371K14BK6	CP	04-Aug-23	7.30%	3-Nov-23	100	[ICRA]A1+
INE371K14BL4	CP	07-Aug-23	7.52%	5-Feb-24	250	[ICRA]A1+
INE371K14BM2	CP	22-Aug-23	7.55%	29-Dec-23	120	[ICRA]A1+
Yet to be placed	CP	-	-	-	1730	[ICRA]A1+

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Company Name	TRIL Ownership	Consolidation Approach
TRIL Roads Private Limited	100.00%	Full Consolidation
TRIL Urban Transport Private Limited	100.00%	Limited Consolidation
Hampi Expressways Private Limited	100.00%	Limited Consolidation
Uchit Expressways Pvt. Ltd.	100.00%	Limited Consolidation
Durg Shivnath Expressways Pvt. Ltd	100.00%	Limited Consolidation
Dharamshala Ropeway Ltd	74.00%	Limited Consolidation
Matheran Ropeway Private Limited	70.00%	Limited Consolidation
International Infrabuild Private Limited	26.00%	Limited Consolidation
TRIL IT4 Private Limited	100.00%	Limited Consolidation
Acme Living Solution Private Limited	100.00%	Limited Consolidation
TRIF Gurgaon Housing Projects Private Limited	100.00%	Limited Consolidation
Wellkept Facility Management Services Pvt. Ltd.	100.00%	Limited Consolidation
HV Farms Private Limited	100.00%	Limited Consolidation
TRIL Bengaluru Real Estate One Private Limited	100.00%	Limited Consolidation
TRIL Bengaluru Consultants Private Limited	100.00%	Limited Consolidation
TRIL Bengaluru Real Estate Three Private Limited	100.00%	Limited Consolidation
MIA Infrastructure Private Limited	100.00%	Limited Consolidation
Pune IT City Metro Rail Limited	74.00%	Limited Consolidation
Pune Solapur Expressways Private Limited	50.00%	Limited Consolidation
TRIL Infopark Limited*	51.00%	Limited Consolidation
Arrow Infraestate Pvt. Ltd.	51.00%	Limited Consolidation
Gurgaon Constructwell Pvt. Ltd.	51.00%	Limited Consolidation
Industrial Minerals and Chemicals Private Limited	74.00%	Limited Consolidation
Mikado Realtors Private Limited	74.00%	Full Consolidation
Gurgaon Realtech Ltd.	51.00%	Limited Consolidation

Company Name	TRIL Ownership	Consolidation Approach
Infopark Properties Limited (w.e.f July 2022 )	51.00%	Limited Consolidation

Source: Company

\*Merged with Infopark Properties Limited w.e.f June 25, 2023.

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit [www.icra.in](http://www.icra.in)

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### Branches



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