



## Press Release

### Kings Canyon SEZ Private Limited [KC SEZ]

December 15, 2020

#### Rating

Sl. No.	Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action
1	Long term Loan- LRD facility	690.00 (Enhanced from Rs.90.00)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)*	Reaffirmed
	<b>Total</b>	<b>690.00</b> <b>(Six Hundred Ninety Crore )</b>		

*\*LRD-Lease Rental Discounting*

#### Details of facilities are in Annexure 1

#### Rating Rationale

The rating continues to derive strength from experienced promoters and management team, location advantage and renowned lessees minimising counter party risk and maintenance of DSRA and Escrow account. The rating however is constrained by renewal risk of master lease agreements, significant exposure to group entities and susceptibility to cyclicity inherent in the real estate sector

#### Key Rating Sensitivities:

##### Upward Rating Factor:

- Timely renewal/ fresh tie-ups at higher rates leading to improvement in cash surplus

##### Downward Rating Factor:

- 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



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

#### **Key Rating Strengths**

##### ***Experienced Promoters and Management team***

Kings Canyon SEZ belongs to ASF group which specializes in state-of-the-art infrastructure and build-to-suit commercial buildings. KC SEZ is promoted by ASF Buildtech Private Limited (ASF). In 2011, KC SEZ was incorporated and the lease rental related business from the building - B2 'Kings Canyon' was transferred into KC SEZ vide High Court order dated 10<sup>th</sup> Dec, 2015 w.e.f 01st April, 2014. The Kings Canyon Building is leased out to majorly 3 multinational Corporation i.e TCS, IBM and Ericsson. There exist a personal guarantee of Mr. Anil Saraf and corporate guarantee of M/S ASF Insignia SEZ Private Limited and M/s. ASF Buildtech Private Limited

##### ***Location advantage and Renowned Lessees minimising counter party risk***

The location of project is in Gurgaon -Faridabad Highway, which is one of the popular hub for the MNCs including IT & ITes. The location has also cost advantage as compared to others available commercial real estate. The rents are economical and also the project has SEZ status which provides various tax benefits. The company complex is operational with almost 100% occupancy and all the lessees are of either most reputed multinationals or are of International repute Like TCS, IBM and Ericsson .These tenants have also occupied space in the other building i.e. Grand Canyon belonging to the same group, thus, signifying their stickiness. The lease tenure varies from 5 to 10 years with lock-in period in the range of 3 -9 years with escalation in rent at 15% after every 36 months.

##### ***Maintenance of DSRA and Escrow account***

The total rated facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Account (DSRA) of INR10.00 Crore in the form of fixed deposit and lien marked in favour of Lender. As per the escrow mechanism, the lessee would directly deposit the monthly lease rentals in the bank on monthly basis based on the pay-in dates as per the lease agreements.



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### **Key Rating Weaknesses**

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

The total tenure of the LRD is of 15 years i.e. March-2035 against the remaining tenure of the lease term of up to 5 years (which expires in FY23-24). Further, the lock-in period has also expired for tenants occupying about 60.10% of the leased area as of June 30, 2020. Therefore, timely tie-up or renewal of lease agreements at competitive rates with new or existing tenants shall remain crucial for meeting its debt servicing obligations.

#### ***Significant exposure to group entities***

KC SEZ has significant exposure towards its group entities it has given short term loans & advances of ~INR.245.80 cr as on March 31, 2020 (Provisional). Further, there is a significant amount of investments of INR148.57 Crore has been made by KC SEZ in ASF Insignia SEZ Pvt Ltd

#### ***Susceptibility to cyclicality 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. The uncertainty pertaining around Covid-19 also dents the demand of commercial as well as residential real estate demand.

#### **Analytical Approach & Applicable Criteria:**

- Standalone
- Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

#### **Liquidity: Adequate**

The company has an adequate liquidity position. The surplus generated from lease rental business is sufficient to meet the debt obligations. The LRD facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Account (DSRA) of INR10.00 Crore in the form of fixed deposit and lien marked in favour of Lender



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### About the company

KC SEZ is a special purpose vehicle incorporated in 2011 and it is owned by ASF Buildtech Private Limited (ASB; 77% stake) and ASF Insignia SEZ Pvt Ltd (ASF; 23% stake). Kings Canyon is an iconic corporate tower with total leasable space of approximately 1 million sq ft in the processing zone of ASF Insignia. It has signed lease agreements for ~100% of the total area (9.20 Isf) of Kings Canyon (Building B2) with leading IT MNCs like TCS, IBM and Ericsson.

### Financials (Standalone)

INR in Crore

For the year ended / As on	31-Mar-19	31-Mar-20
	(Audited)	(Provisional)
Total Operating Income	77.4	77.02
EBITDA	73.04	75.15
PAT	3.19	-7.12
Total Debt	553.60	595.57
Tangible Net Worth	2.95	-4.18
EBIDTA Margin (%)	94.37	97.57
PAT Margin (%)	3.46	-7.02

\* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-2021)				Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (September 22, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan-LRD Facility	Long Term	690.00 (Enhanced from Rs.90 Crore)	IVR BBB- / Stable Outlook	IVR BBB-/ Stable Outlook	--	--	--



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**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).

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**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

<b>Sr. No</b>	<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (INR Crore)</b>	<b>Rating Assigned/ Outlook</b>
1	Long Term Loan-LRD Facility	--	--	March-35	690.00	IVR BBB- /Stable Outlook