

November 22, 2022

## Ishanvi Industrial & Logistics Park Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	119.37	119.37	[ICRA]BBB (Stable); reaffirmed
<b>Total</b>	<b>119.37</b>	<b>119.37</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for Ishanvi Industrial & Logistics Park Private Limited (Ishanvi) reflects the established track record of IndoSpace network<sup>1</sup> (IndoSpace) in the industrial warehousing and logistics space in India. The rating factors in the favourable location of the asset with good highway connectivity, in proximity to various industrial areas such as Ambala-Rajpura and key cities in the state. Further, the funding risk remains low as the entire debt requirement has been tied up and around 55% of the committed equity requirement has already been infused as on September 30, 2022, for a budgeted debt-to-equity ratio of 0.95:1 for the project. There is an escrow mechanism in place for the project's cash flows and the bank facility requires maintaining a debt service reserve account (DSRA) equivalent to three months of debt servicing obligations during and post the moratorium period.

The rating is, however, constrained by the project's exposure to execution and market risks. The project is at an intermediate stage, having achieved 48% construction progress as on September 30, 2022. Nonetheless, the construction is expected to be completed within the specified date of commercial operations (DCCO) of March 2024. ICRA takes note of the company's exposure to market risk, as the leasing remains low at 20% of the leasable area. Hence, Ishanvi's ability to achieve incremental leasing in a timely manner and at adequate rental rates will remain critical from the credit perspective.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the extensive experience of IndoSpace in the warehousing space, which is expected to enable it to complete the project without any material time and cost overruns as well as secure lease tie-ups for the balance area.

### Key rating drivers and their description

#### Credit strengths

**Strong track record and business profile of main sponsor** – Ishanvi is promoted by ILP III Ventures VI Pte. Ltd., Singapore (part of the IndoSpace network). IndoSpace is sponsored by Realterm Global, Everstone Capital and GLP Global. Realterm Global has more than 20 years of experience in developing industrial and logistics parks and at present manages assets worth over USD 7 billion and operates some of the largest and most modern facilities in North America and other parts of the world. Everstone Capital is a prominent India-focused investment firm, and the Everstone Group manages funds of over USD 5 billion in private equity and real estate. GLP Global is an investment firm, managing multiple asset classes, including real estate, private equity and infrastructure. It has over USD 100 billion assets under management (AUM) across the real estate and private equity segments.

**Favourable project location** – The project is located in Rajpura, Punjab. The site is well-connected by road, located on Grant Trunk Road (erstwhile NH 1, recently renamed as NH 44) connecting Delhi to Amritsar and is 43 km Southeast of Chandigarh.

<sup>1</sup> ILP III Ventures VI Pte. Ltd., Singapore (a part of the IndoSpace network, which is sponsored by Realterm Global, Everstone Capital and GLP Global)

Additionally, the proposed logistics park is well connected to various industrial areas in the vicinity such as Ambala-Rajpura belt, which is a warehousing and logistics hub due to its proximity to Chandigarh, Patiala, Ludhiana and Zirakpur. It faces minimal competition as Grade-A parks are limited in the region.

**Low funding risk** – The project’s funding risk is low as the debt requirement has been tied-up and 55% of the equity requirement has already been infused as on September 30, 2022, for a budgeted debt-to-equity ratio of 0.95:1 for the project. The rated facility requires maintaining a DSRA during the construction/implementation period equivalent to three months’ of interest during construction/implementation period up to DCCO and equivalent to three months’ interest and one-month instalment post DCCO.

### Credit challenges

**Exposure to project execution risk** – The project has a total leasable area of 1.2 msf, spread over seven units, out of which two are completed, one is under-construction and work is yet to commence on the remaining four blocks (~6.5 lakh sq ft) as of September 2022. The company has achieved 48% construction progress as on September 30, 2022, which exposes the project to execution risk. Nevertheless, with a DCCO of March 31, 2024, and the sponsor’s extensive experience in the warehousing space, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun.

**Exposure to market risks** – Ishanvi is exposed to market risk with 20% leasing tie-ups in place as of September 2022. The company’s ability to achieve incremental leasing on time and at adequate rental rates will remain critical from the credit perspective.

**Geographical and asset concentration risks** – The company is exposed to high geographical and asset concentration risks inherent in single-project companies. However, ICRA draws comfort from IndoSpace’s diverse portfolio of logistics and industrial parks, including developed and under-development parks, across India.

### Liquidity position: Adequate

The company’s liquidity position is adequate with Rs. 2.85-crore cash and liquid investments (including DSRA of Rs. 1.27 crore) and Rs. 64.37-crore undrawn bank limits, as on September 30, 2022, which along with the pending equity commitments (including any internal accruals) will be adequate to fund the pending project cost of Rs. 127.7 crore. The debt repayments for the construction finance (CF) loan will commence from FY2025. The escrow mechanism in place for the project’s cash flows and the requirement for DSRA of three months’ interest plus principal obligation underpins the liquidity profile.

### Rating sensitivities

**Positive factors** – ICRA could upgrade Ishanvi’s rating if the company ramps up its leasing at adequate rental rates.

**Negative factors** – Considerable delays in balance lease tie-ups and lower-than-expected rentals could exert negative pressure on Ishanvi’s rating. Cost overruns or unforeseen delays in the completion of the project may warrant a rating downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a>
Parent/Group support	NA
Consolidation/Standalone	Standalone

## About the company

Ishanvi Industrial and Logistics Park Pvt. Ltd., a 100% subsidiary of ILP III Ventures VI Pte. Ltd., Singapore – part of the IndoSpace Network, is a special purpose vehicle (SPV) for setting up of an industrial and logistics park at Rajpura, Punjab. The company owns the land for developing the aforesaid project. The project is being developed on land admeasuring 47 acres, with a total leasable area of 1.2 msf.

**Key financial indicators: Not applicable being a project company**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument		Current rating (FY2023)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on September 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Nov 22, 2022	Nov 17, 2021	-
1	Term loans	Long-term	119.37	55.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	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
-	Term loans	April 03, 2021	-	FY2034	119.37	[ICRA]BBB (Stable)

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis- Not applicable

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