

October 06, 2023

IndoSpace MET Logistics Park Farukhnagar Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	191.00	191.00	[ICRA]BBB+ (Stable); reaffirmed
Total	191.00	191.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for IndoSpace MET Logistics Park Farukhnagar Private Limited (IMLPFPL) factors in the favourable location of the park at Farukhnagar, Gurgaon, the low leverage as well as adequate debt coverage metrics estimated for the project. IMLPFPL, a special purpose vehicle (SPV) sponsored by the IndoSpace network¹ (IndoSpace; holds a 74% stake in IMLPFPL) and Model Economic Township Limited (METL, a Reliance Group company; holds a 26% stake in IMLPFPL), is developing an industrial and logistics park at Farukhnagar, in Gurgaon, Haryana, with a total leasable area of 1.4 million square feet (msf), spread across five warehouse units. The project is favourably located with good connectivity to Delhi and other adjacent industrial as well as warehousing hubs. The project is proposed to be funded in debt-to-equity ratio of 0.99:1. The funding risk remains low, given that the entire debt requirement has been tied up and 72% of the committed equity requirement has already been infused as of June 2023. The rating continues to draw comfort from the strong business profile of the IndoSpace Group with an established track record in the industrial, warehousing and logistics park business in India. The rated facility has an escrow mechanism in place and requires maintaining a debt service reserve account (DSRA) equivalent to three months of repayment obligations during the entire loan tenure, which provides comfort against any liquidity mismatch.

The rating is, however, constrained by the project's exposure to execution risk as about 52% of the total project cost is yet to be incurred as on June 30, 2023, against the date of commencement of commercial operations (DCCO) of August 1, 2024. The company is exposed to market risk as there are no pre-leasing tie-ups as on date. While the company is in discussions with prospective tenants, its ability to achieve timely leasing and at adequate rental rates will be the key rating monitorable. However, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to execute and lease projects on time. The company is also vulnerable to high geographical and asset concentration risks inherent in a single project portfolio.

The Stable outlook reflects ICRA's opinion that the company will benefit from the extensive experience of its sponsor, Indospace in the warehousing space and will be able to complete the project without any material cost overruns as well as secure lease tie-ups at adequate rental rates.

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsors – IMLPFPL is promoted by ILP III Ventures XXIX Pte. Ltd (a part of the IndoSpace network) and Model Economic Township Limited (METL, a Reliance Group company). IndoSpace is sponsored by Realterm Global, Everstone Capital and GLP Global. Realterm Global, at present, manages assets worth over USD 7 billion. Everstone Capital manages funds of over USD 5 billion in private equity and real estate. GLP Global is an investment firm,

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

manages assets over USD 100 billion assets under management (AUM) across the real estate and private equity segments. METL is a fully-owned subsidiary of Reliance Ventures Limited, which in turn is a 100% subsidiary of Reliance Industries Limited. METL is involved in the development of Model Economic Township (MET) in Jhajjar district of Haryana.

Favourable project location – The project is located at Farukhnagar, Gurgaon, Haryana. The site is 1.4 km off the State Highway 15A (Jhajjar, Gurugram Road; SH 15A), 16 km from Kundali-Manesar-Palwal Expressway (KMP) exchanges at Farukhnagar and Badli, and 36 km from Bilaspur Chowk. This location has high potential as a logistics hub for regional and national distribution for 3PL, consumer goods, automotive and e-commerce companies.

Low leverage and funding risk – The project's funding risk is low as the debt requirement has been tied up and nearly 72% of the equity requirement has already been infused as on June 30, 2023. The budgeted project cost of Rs. 383.64 crore is estimated to be funded by a debt-to-equity ratio of 0.99:1. The project's leverage is estimated to be low, and the debt coverage metrics are expected to be adequate. The rated facility requires maintaining a DSRA equivalent to three months of repayment obligations during the entire loan tenure.

Credit challenges

Exposure to project execution risk – As on June 30, 2023, four out of five blocks were under construction and 52% of the total project cost was yet to be incurred, against the DCCO of August 1, 2024, exposing the company to execution risk.

Exposure to market risk – As on June 30, 2023, there were no pre-leasing tie-ups in place. While the company is in discussions with prospective tenants, its ability to achieve leasing on time and at adequate rental rates will be the key rating monitorable. However, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to lease and execute projects on time.

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. 4.5-crore cash and liquid investments and Rs. 120.2-crore undrawn bank limits, as on June 30, 2023, which along with the balance equity commitments and internal accruals of Rs. 77.4 crore will be adequate to fund the pending project cost of Rs. 197.7 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company achieves significant progress in leasing at adequate rental rates resulting in healthy debt protection metrics.

Negative factors – Cost overrun or unforeseen delay in completing the project could exert pressure on the company's rating. Considerable delays in tying up leases or lease tie-ups at inadequate rental rates leading to weakening of debt protection metrics may also warrant a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

IndoSpace MET Logistics Park Farukhnagar Private Limited (IMLPFPL) is a 74:26 joint venture between M/s. ILP III Ventures XXIX Pte. Ltd., Singapore and Model Economic Township Limited (METL), a Reliance Group company. IMLPFPL is setting up a Grade-A industrial and warehousing park on a land of 55.14 acres at Farukhnagar, in Gurgaon, Haryana. The park will have a total leasable area of 1.4 msf, spread across five warehouses.

Key financial indicators: Not Applicable for a project company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on June 30, 2023 (Rs. crore)	Chronology of rating history for the past 3 years			
				Current rating (FY2024)			
				Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				October 06, 2023	September 23, 2022	-	-
1 Term loans	Long term	191.00	70.77	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	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
NA	Term loans	March 28, 2022	-	FY2034	191.00	[ICRA]BBB+ (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 80 4547 4829
anupama.reddy@icraindia.com

Tushar Bharambe
+91 22 6169 3347
tushar.bharambe@icraindia.com

Mihir Gada
+91 22 6114 3400
mihir.gada@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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