December 29, 2023

Legor Logistics Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – term loan	75.00	75.00	[ICRA]BBB (Stable); reaffirmed
Total	**75.00**	**75.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Legor Logistics Private Limited (Legor) factors in the favourable location of the park in Tiruvallur district of Tamil Nadu, with leasing of 35% (including signed LOI) as of December 2023 (18% as of September 2022). Legor is developing an industrial and logistics park on 26.57 acres of land, with a leasable area of ~6 lakh sq ft, spread across four units. The project is favourably located with good connectivity to highways and various industrial areas in the vicinity. The budgeted debt-to-equity ratio is 1.12:1 for the project. The entire debt funding has been tied-up, while the promoters have infused more than the budgeted equity as of September 2023. The ratings consider the comfortable leverage as well as adequate debt coverage metrics estimated for the project. The ratings continue 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 ratings are, however, constrained by the project's exposure to execution risk as about 25% of the budgeted total project cost is yet to be incurred as of September 2023, against the revised date of commencement of commercial operations (DCCO) of September 2024. The Covid-19 pandemic-related restrictions and slow leasing resulted in construction delays, given which the DCCO has been extended by two years to September 2024 with the approval of the lender. The budgeted project cost of Rs. 142 crore is expected to witness 8-10% escalation on account of higher interest during construction (IDC) and other general overheads, which will be funded by additional promoter contribution. The company is exposed to market risk as 65% of the area is yet to be tied up as of December 2023. While it is in discussions with the prospective tenants, its ability to achieve timely leasing at adequate rental rates will be the key rating monitorable, particularly given the presence of disbursement covenants in the loan sanction linked to leasing tie-up. Based on the current leasing, the company has been able to draw only Rs. 40 crore out of Rs. 75 crore of the sanctioned construction finance (CF) loan. Meanwhile, the promoters infused additional funds of Rs. 17.35 crore, over and above their budgeted contribution, for funding the construction progress. Moreover, the extensive experience, financial flexibility, leasing and construction capabilities of the sponsor, IndoSpace, in the warehousing space provide comfort. The company is vulnerable to high geographical and asset concentration risks inherent in a single project portfolio. ICRA also notes the presence of a rating-linked event of default covenant specified in the bank sanction, although adequate cushion exists at the current rating level.

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 is expected to complete the project within the revised DCCO and secure lease tie ups at adequate rental rates.

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsors - Legor's main promoter is ILP III Ventures X Pte. Ltd. (part of The Indospace network), which 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 across the world. At present, it 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-focussed investment firm. The Everstone Group manages funds of over USD 5 billion in private equity and real estate. GLP Global is an investment firm, with assets under management (AUM) of over USD 100 billion across real estate and private equity segments. The other shareholder, the Siyat Group has prior experience of developing 15 warehouses with an aggregate capacity of ~10 lakh sq ft of built-up area in and around Chennai.

Favourable project location - The project is located in Koodapakkam, Poonamallee, Tiruvallur district of Tamil Nadu. The site is well-connected by road, being 2.3 kms from the Tiruvallur – Poonamallee High Road (State Highway 50), and 13 kms from National Highway NH 48. In addition, the proposed logistics park is well-connected to various industrial areas in the vicinity. It faces minimal competition, since Grade-A parks are limited in the micromarket.

Comfortable leverage - The budgeted project cost of Rs. 142 crore is estimated to be funded by a debt-to-equity ratio of 1.12:1. While there is a possibility of cost escalation in the project, the same will be funded by promoter's contribution. The debt requirement for the project has been tied-up and the promoters have infused 111% of their budgeted contribution as of September 2023. An additional amount of Rs. 10 crore has been infused in Q3 FY2024 and the promoters remain committed to provide more funding support, if required, to complete the project within the revised DCCO. The leverage is estimated to be comfortableand debt service coverage ratio (DSCR) to be adequate for the project.

Credit challenges

Exposure to project execution risk - The project is at an intermediate stage of execution, with 75% of the budgeted project cost incurred as of September 2023 (53% as of March 2022). While construction of three of the four units have been completed, the construction of the final block is underway. In view of slow project progress, the company sought two years of extension in the DCCO of the project, which has been granted by the lender. Accordingly, the revised DCCO for the project is September 2024. The repayment schedule has also been deferred by two years with repayment now commencing from March 2026. Nevertheless, ICRA continues to draw comfort from the additional equity infusion, extensive experience, financial flexibility, leasing and construction capabilities of the sponsor in the warehousing space.

Exposure to market risk - As of December 2023, the project achieved leasing for only 35% (18% as of September 2022) of the leasable area of the park, which includes the recently signed LOI for 17% of the total leasable area. Market risk persists as the company is yet to finalise the tenants for 65% area. While it is in discussions with the prospective tenants, its ability to achieve timely leasing at adequate rental rates will be the key rating monitorable, particularly given the presence of disbursement covenants in the loan sanction linked to leasing tie-up. Based on the current leasing, the company has been able to draw only Rs. 40 crore out of Rs. 75 crore of sanctioned CF loan and further drawdown will be possible only after meeting the leasing milestones as per the sanction terms.

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

Legor's liquidity position is adequate with Rs. 4.83-crore free cash and liquid investments and Rs. 35-crore undrawn bank limits, as on September 30, 2023, against the budgeted pending project cost of Rs. 36.0 crore as on September 30, 2023. While there are leasing-linked disbursement terms of the CF loan, ICRA draws comfort from the track record of infusion of funds by the sponsor into various SPVs, whenever needed. The debt repayments for the CF loan (considering two-years extension in DCCO) will commence from FY2026.

Rating sensitivities

Positive factor- ICRA could upgrade the rating if the company significantly ramps up its leasing at adequate rental resulting in an improvement in debt protection metrics.

Negative factor- Any considerable delays in lease tie-ups at adequate rental rates or any significant increase in indebtedness impacting the debt servicing indicators could lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology of Debt Backed by Lease Rentals
Parent/Group support	NA
Consolidation/Standalone	Standalone

About the company

Legor was incorporated on September 6, 2018 and is developing an industrial warehouse and logistics park in Koodapakkam, Poonamallee, Tiruvallur district of Tamil Nadu. Legor is jointly owned by ILP III Ventures X Pte. Ltd. (74%), which is sponsored by Realterm Global, Everstone Capital and GLP Global and Siyat Projects LLP (26%), promoted by the Siyat Group. The total area of land under consideration for the project is 26.57 acres with a leasable potential of ~6 lakh sq ft, which is being funded through debt and equity (1.12:1).

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 (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on September 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 29, 2023	Oct 21, 2022	Aug 12, 2021	-
1	**Term loans**	Long term	75.0	40.0	**[ICRA]BBB (Stable)**	**[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
NA	**Term loan**	October 2020	-	February 2036	75.00	[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

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About ICRA Limited:

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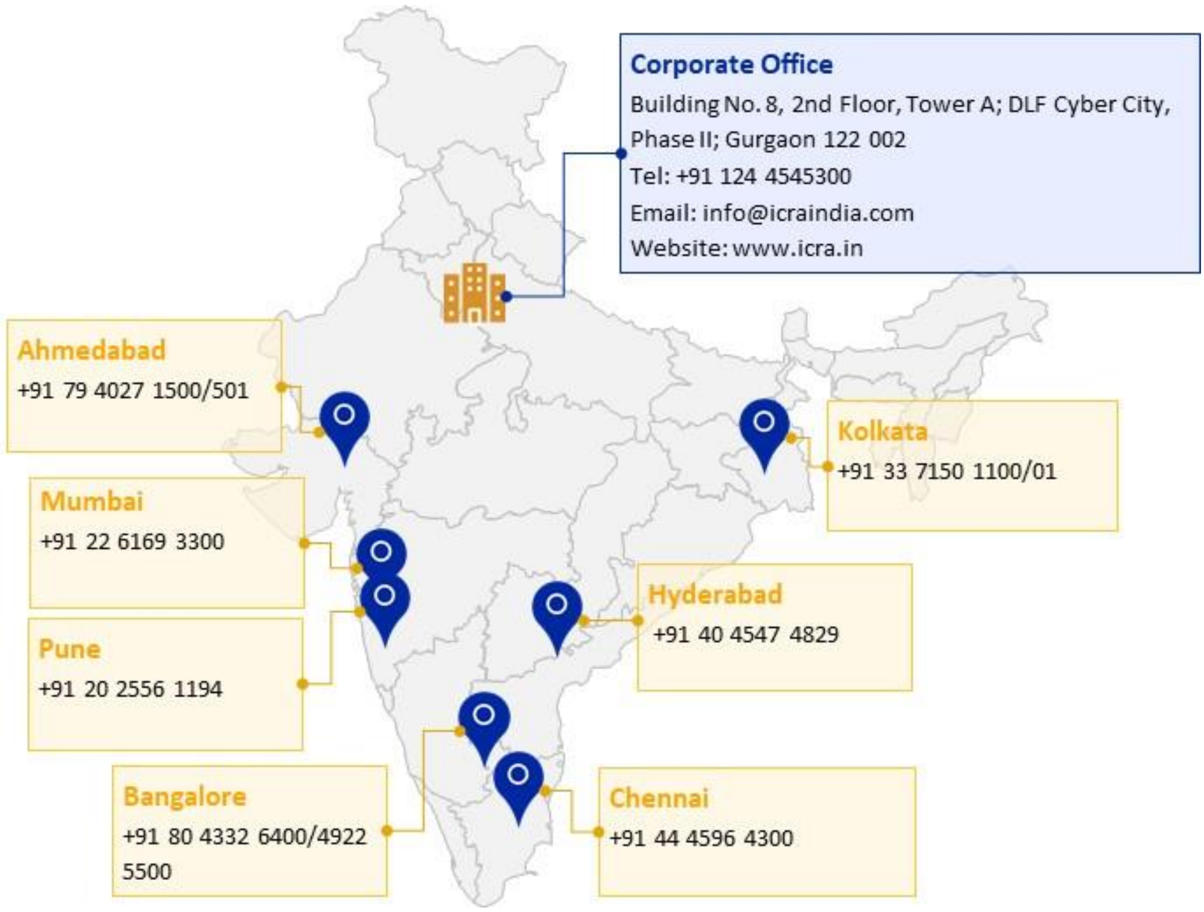

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