

January 15, 2024

ILP 3 India 2 Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	80.00	[ICRA]BBB+ (Stable); assigned
Total	80.00	

*Instrument details are provided in Annexure-I

Rationale

ILP 3 India 2 Private Limited, a special purpose vehicle (SPV) sponsored by the IndoSpace network (IndoSpace), is developing an industrial and logistics park at Govandi, Mumbai, with a total leasable area of 0.15 million square feet (msf). The assigned rating reflects the favourable location of the project and the established track record of IndoSpace in the industrial warehousing and logistics space in India. The project is situated in Govandi with good connectivity to various parts of Mumbai via major roads like the Eastern Express Highway, Ghatkopar Mankhurd Link Road and the Eastern Freeway. Further, the funding risk remains low as the entire debt requirement has been tied up and 100% of the committed equity requirement has already been infused as of September 2023. The project has low leverage and its debt coverage metrics are estimated to be adequate. ICRA notes the exceptional financial flexibility of IndoSpace and its track record of honouring the sponsor's undertakings to lenders by infusing funds into various SPVs, whenever needed. The rated facility has an escrow mechanism in place and requires maintaining a debt service reserve account (DSRA), equivalent to ensuing two months of interest and principal repayment obligation during the entire loan tenure.

The ratings are, however, constrained by the project's exposure to execution and market risks. The project is in the initial stages, with 4% construction progress as of September 2023. Nonetheless, the construction is expected to be completed within the scheduled date of commencement of commercial operations (DCCO) of March 2025. The company is exposed to market risk as there are no pre-leasing tie-ups as on date. Hence, 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. 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.

The Stable outlook reflects ICRA's opinion that the company will benefit from the extensive experience of its sponsor, 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.

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsors – ILP 3 India 2 Private Limited is a wholly-owned subsidiary of ILP III Ventures XII Pte. Ltd. (a 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 across the world and at present manages assets worth over USD 7 billion. It 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. The Everstone Group manages funds of over USD 5 billion in private equity and real estate. GLP Global is an investment firm, with over USD 100

billion assets under management (AUM) across multiple asset classes including real estate, private equity segments and infrastructure.

Favourable project location – The project is located in Govandi, Mumbai, with good connectivity to various parts of Mumbai via major roads like the Eastern Express Highway, Ghatkopar Mankhurd Link Road and the Eastern Freeway. The project is expected to cater to the growing demand of hyperlocal delivery within cities. The tenants are mostly expected to be e-commerce entities.

Low leverage and funding risk – The project's funding risk is low as the debt requirement has been tied up and 100% of the equity requirement has already been infused as of September 2023. The budgeted project cost of Rs. 169.06 crore is estimated to be funded by debt-to-equity ratio of 0.9:1. ICRA derives comfort from the low leverage and the adequate debt service coverage ratio (DSCR) estimated from the project. The rated construction finance (CF) facility requires maintaining a DSRA equivalent to ensuing two months of principal and interest repayment obligation during the entire loan tenure.

Credit challenges

Exposure to project execution risk – The project is in the initial stage of execution, with 4% construction progress as of September 2023. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun, given the DCCO of March 2025 and the extensive experience of the sponsor in the warehousing space.

Exposure to market risk – The pre-leasing tie-up is nil as on date. The company's ability to achieve leasing on time and at adequate rental rates will remain critical from the credit perspective. However, the experience of its promoter to lease projects on time, offers comfort.

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 has free cash balance of Rs. 3.4 crore as of September 2023 with debt (SBLC backed TL) outstanding of Rs. 23.5 crore. It availed CF loan of Rs. 80 crore in November 2023 through which the SBLC backed term loan was repaid. The balance would be used to fund the pending project cost of Rs. 60.7 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company achieves significant progress in leasing at adequate rental rates, along with timely completion of project without any major cost overruns leading to comfortable debt protection metrics. Specific credit metric for a rating upgrade would be five-year DSCR of higher than 1.20 times on a sustained basis.

Negative factors – Cost overruns or any unforeseen delays in completing the project could exert pressure on the company's ratings. Considerable delays in tying up leases and/or lower-than-adequate rentals may also lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Lease Rental Discounting (LRD)

Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

The company was incorporated in 2019 and is setting up an in-city warehouse project under the name of Indospace Chembur at Govandi, Mumbai. The construction will be done on the land admeasuring of 2.14 acres situated located at Ghatkopar - Mankhurd Link Road with a leasable area of 0.15 msf and is expected to be completed by the scheduled DCCO of March 2025.

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 Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 15, 2024	-	-	-
1	Term loans	Long term	80.00	28.2	[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 2023	NA	November 2033	80.00	[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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