

July 31, 2024

Deerfield Logistics Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	195.00	195.00	[ICRA]BBB+ (Stable); Reaffirmed
Total	195.00	195.00	

*Instrument details are provided in Annexure-I

Rationale

Deerfield Logistics Private Limited, a special purpose vehicle (SPV) sponsored by the IndoSpace network (IndoSpace), is developing an industrial and logistics park in Narsapura, Bengaluru, with a total leasable area of 1.47 million square feet (msf), spread across eight warehouse units. The rating reaffirmation reflects the favourable sponsor profile, along with the established track record of IndoSpace in the industrial, warehousing and logistics space in India. The rating draws comfort from the project's favourable location in the Narsapura micromarket and good connectivity to Chennai, Tirupati and the Hoskote-Malur industrial area, along with adequate leverage and debt coverage metrics estimated from the project. As of date, 24% of the area has been leased and rentals have commenced from November-December 2023. The funding risk remains low as the entire debt requirement has been tied up and nearly 71% of the committed equity requirement (including internal accruals) has been infused as of March 2024, for a budgeted debt-to-equity ratio of 0.96:1. 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 rating is, however, constrained by the project's exposure to execution and market risks. The project is at an intermediate stage, with 63% construction progress as of March 2024. Nonetheless, the construction is expected to be completed within the scheduled date of commencement of commercial operations (DCCO) of June 2026. ICRA notes the company's exposure to market risk with leasing yet to be achieved for 76% of the total area as of date. Hence, its ability to achieve leasing on time and 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 Rs. 109.25 crore out of Rs. 195.0 crore of the sanctioned construction finance (CF) loan. Meanwhile, the promoters would infuse additional funds if required, over and above their budgeted contribution, for funding the construction progress in case of inadequate leasing. However, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to lease and execute projects on time. The company is 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 complete the project without any material time and cost overruns as well as secure lease tie-ups at adequate rental rates within the scheduled DCCO.

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsors – Deerfield Logistics Private Limited is promoted by Deerfield Logistics 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. At present, it manages assets worth over USD 11 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 7 billion in private equity and real estate. GLP Global is an investment firm with over USD 60 billion assets under management (AUM) across the real estate and private equity segments.

Favourable project location – The project is located on a land parcel admeasuring about 64 acres in Narsapura, which is situated close to Bengaluru, off Old Madras Road (Bengaluru – Tirupati – Highway NH 75). IndoSpace Narasapura is one of the leading industrial and warehousing parks in Bengaluru with world class infrastructure and facilities. It offers excellent connectivity to Chennai, Tirupati and the Hoskote-Malur industrial area. The site is in proximity to Bengaluru International Airport (59 km), railway station (22 km) and the upcoming Chennai Bengaluru Industrial Corridor with connectivity to the Chennai Port. As of date, 24% of the area has been leased and rentals have commenced from November-December 2023.

Low funding risk – The project’s funding risk is low as the debt requirement has been tied up and nearly 71% of the equity requirement (including internal accruals) has already been infused as of March 2024. The budgeted project cost of Rs. 399.75 crore is estimated to be funded by a debt-to-equity ratio of 0.96:1. ICRA derives comfort from the adequate leverage and debt coverage metrics estimated from the project. 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 – The project is at an intermediate stage of execution, with 63% construction progress as of March 2024. It has a total leasable area of 1.47 msf spread over eight units, out of which four are completed and four were under construction as of June 2024. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun, considering a DCCO of June 2026, and the sponsor’s extensive experience in the warehousing space.

Exposure to market risk – The company is exposed to market risk with leasing yet to be achieved for 76% of the total area as of date. Its ability to achieve incremental leasing on time and at adequate rental rates will remain critical from the credit perspective, 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 Rs. 109.25 crore out of Rs. 195.0 crore of the sanctioned CF loan. Meanwhile, the promoters would infuse additional funds if required, over and above their budgeted contribution, for funding the construction progress in case of inadequate leasing.

Geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks inherent in single project companies.

Liquidity position: Adequate

The company’s liquidity position is adequate with Rs. 2.1 crore of free cash and liquid investments, and Rs. 89.00-crore undrawn CF loan, as of March 2024, which along with the pending sponsors’ contribution will be adequate to fund the remaining project cost of Rs. 147.6 crore. As the disbursement of CF loan is linked to leasing progress, the sponsor would infuse additional funds if required, over and above its budgeted contribution for funding the balance project cost in case leasing is not adequate. The debt repayments for the CF loan will commence from December 2025.

Rating sensitivities

Positive factors – Significant progress in leasing at adequate rentals resulting in an improvement in debt protection metrics could lead to a rating upgrade.

Negative factors – Cost overrun or unforeseen delay in completing the project could exert pressure on the company’s ratings. Considerable delays in tying up balance leases or lease tie-ups at inadequate rental rates or any significant increase in indebtedness impacting the debt protection metrics may also warrant a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Deerfield Logistics Private Limited, a 100% subsidiary of Deerfield Logistics Pte. Ltd., Singapore, is developing an industrial and logistics park on a land of around 64 acres at Jakasandra Industrial Area, Jakasandra village, Kasaba Hobli, Malur Taluka, Kolar district, Narsapura, Bengaluru. The project will have a total leasable area of 1.47 msf comprising eight warehousing units.

Key financial indicators (audited) – Not Applicable as it is a project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			July 31, 2024	May 12, 2023	-	-	
1	Term loans	Long term	195.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – 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	Oct 2021	-	FY2035	195.00	[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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