

January 06, 2023

Rohan Landscape Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan-1 [^]	87.56	87.56	[ICRA]A- (Stable); reaffirmed
Term Loan-2 ^{\$}	62.00	62.00	[ICRA]A- (Stable); reaffirmed
Non-fund Based facility	10.00	10.00	[ICRA]A- (Stable); reaffirmed
Non-fund Based facility#	(10.00)	(10.00)	[ICRA]A- (Stable); reaffirmed
Total	159.56	159.56	

*Instrument details are provided in Annexure I, [^] Construction Finance (CF), ^{\$} Lease rental discounting (LRD), # Sub limit of Term loan 1

Rationale

The rating reaffirmation for Rohan Landscape Private Limited (RLPL) continues to factor in the established track record of the IndoSpace network¹ (IndoSpace) in the industrial, warehousing and logistics park business in India. The rating factors in the favourable location of the IndoSpace Chakan I Phase III in Chakan, which is a major industrial hub in the western part of India, located about 10 km from the National Highway-50, and the satisfactory construction and leasing progress for the project. As of September 2022, three out of the planned four blocks of the project have been constructed and fully leased. Rent receipts have commenced for two blocks (B200 from November 2020 and B400 from March 2022) and are expected to start for the third block (B100) from June 2023. The funding risks of the project are low as the entire project debt has been tied up and about 85% of the equity requirement has already been infused in the company. It has adequate lease rental discounting (LRD) loan eligibility against rentals from the two unlevered blocks (B400 and B100), which can be utilised towards the balance cost, if required. The rating considers the presence of a debt service reserve account (DSRA), equivalent to three months of debt servicing obligations, which is maintained currently on the LRD debt and would be maintained post the moratorium period for the CF debt.

The rating, however, is constrained by the project execution risk as about 21% of the total project cost is yet to be incurred, corresponding to the remaining building (B300), where construction has not commenced. Nevertheless, with the funding tie-up in place, discussions underway with an existing tenant for leasing of the said block and considering the extensive experience of the sponsor in the warehousing space, ICRA expects the construction to be completed within the revised DCCO timeline (September 2023). The company is also exposed to high geographical and asset concentration risks inherent in a single project portfolio. The risk, however, is mitigated to some extent by the Group's large portfolio across geographies and the established relationship with potential tenants. It has leased 76% of the total leasable area but remains exposed to market risks for the remaining area, and construction of the same will commence in January 2023.

The Stable outlook on the rating reflects ICRA's opinion that RLPL will generate steady rental revenues from the completed blocks. Also, ICRA believes that the company will benefit from the extensive experience of the Group in the industrial and logistics parks segment, which is expected to enable RLPL to secure lease tie-ups and complete the project without any material cost overruns.

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

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsor – RLPL is promoted by ILP III Ventures II Pte. Ltd. (Indospace network; 74% stake) and Rohan Builders and Developers Private Limited (Rohan Group; 26% stake). ILP III Ventures II Pte. Ltd. is further promoted by Realterm Global and Everstone Capital & GLP. Realterm Global has more than 20 years of experience in developing industrial and logistics parks across the world. At present, the Group has 41 Grade-A parks with nine parks in North zone (one in Rajpura and eight in Delhi/NCR), 11 in West zone (two each in Ahmedabad and Mumbai and seven in Pune) and 21 in South zone (one in Ananthpur, two in Sri City, 14 in Chennai, one in Coimbatore and three in Bengaluru).

Favourable project location in terms of access to infrastructure and proximity to industrial clients – RLPL is developing 6.2 lakh sq. ft of leasable area in Chakan, Pune, which is a major industrial hub in the western part of India with over 9,500 acres of land under development by the Maharashtra Industrial Development Corporation (MIDC). It is one of the largest automobile manufacturing hubs in India, along with engineering and electronics industries. Several companies from industries such as food processing, pharmaceutical and biotechnology have set up their manufacturing bases in the area. The project is located 10 km from the National Highway-50 and ~35-40 km from Pune city centre, international airport and railway station.

Low funding risk and presence of DSRA – The funding risk for the project remains low as 85% of the promoters' contribution has been bought in and the debt tie-up is in place. The company has completed construction of three out of the four buildings. It has adequate LRD loan eligibility against rentals from the two unlevered blocks (B400 and B100) which can be utilised towards balance cost, if required. RLPL is maintaining an escrow mechanism and a DSRA, which is equivalent to three months of debt servicing obligations for its LRD facility. Post the moratorium period, the construction facility requires maintaining an escrow mechanism and a DSRA. These provide comfort against any short-term liquidity mismatch in case of any exigency.

Cash flow visibility with completion of three blocks – RLPL has completed three out of the planned four blocks of Chakan I Phase III. Commencement of rentals for two of the blocks (B200 and B400) from November 2020 and March 2022, respectively, and the expected commencement of rentals for another block (B100) by June 2023 provide cash flow visibility.

Credit challenges

Exposure to market risk – The company has tied up lease arrangement for 76% of the leasable area with three tenants but remains exposed to market risk for the remaining area. However, it is in discussion with an existing tenant for leasing the balance area and construction of the same will commence from January 2023.

Exposed to residual execution risk – As on September 30, 2022, 79% of the project cost and 80% of the construction and common infrastructure cost were incurred. Hence, the company is exposed to project execution risks for the balance area. However, the risk is expected to be low. Construction of the remaining block will commence in January 2023. With the funding tie-up in place, discussions underway with an existing tenant for leasing of the said block and considering the sponsor's extensive experience in the warehousing space, ICRA expects the construction to be completed within the revised DCCO timeline (September 2023), without any material cost overruns.

Geographical and asset concentration risks – Chakan I Phase III is the single project undertaken by RLPL and is thus exposed to high geographical and asset concentration risks inherent in a single project portfolio of companies. However, ICRA draws comfort from the Group's diverse portfolio of around 36 million sq. ft. across 35 logistics and industrial parks (including developed and under development parks) across eight cities in India.

Liquidity position: Adequate

The company's liquidity is adequate with liquid investments and unencumbered cash balance of Rs. 5.5 crore and undrawn bank limits of Rs. 25 crore as on September 30, 2022. The balance project cost of Rs. 55 crore is expected to be funded by promoter contribution of Rs. 17 crore, undrawn bank limits and internal accruals. It has adequate LRD loan eligibility against unlevered rentals, which could be used for financing the balance project cost. The repayment for CF loan is scheduled to commence from December 2023, while that for the LRD loan has commenced in FY2021. The escrow mechanism in place for the project's cash flows and the requirement for DSRA of three months' interest plus principal repayment obligation underpins the liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade RLPL's rating on completion of the project without any major cost overruns, along with full leasing of the balance blocks at adequate rental rates. Specific credit metrics that could result in an upgrade would be five-year average DSCR of greater than 1.35 times on a sustained basis.

Negative factors – Pressure on RLPL's rating could arise if there are considerable delays in the balance lease tie-ups and lower than-expected rental rates. Any additional indebtedness, resulting in weaker-than-expected coverage ratios, could also result in a rating downgrade. Specific credit metrics that could lead to a rating downgrade include five-year average DSCR declining below 1.2 times on a sustained basis.

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	The rating is based on the company's standalone financial statements

About the company

RLPL is developing an industrial and logistics park, IndoSpace Chakan I Phase III, on a land admeasuring approximately 37 acres, with a total leasable area of around 6.2 lakh sq. ft. comprising four blocks at Chakan, Pune. The construction of three out of four blocks has been completed. RLPL is promoted by ILP III Ventures II Pte. Ltd (Indospace Group), which holds a 74% stake and Rohan Builders and Developers Private Limited (Rohan Group) holds the remaining 26% stake. ILP III Ventures II Pte. Ltd is further promoted by Realterm Global and Everstone Capital & GLP.

The project was earlier being developed by a consortium of two companies – RLPL and Rohan Housing Scheme Private Limited (RHSPL) as the land was owned by both the Group companies. However, RHSPL was merged into RLPL in March 2021.

Key financial indicators (Audited)

Standalone	FY2021	FY2022
Operating income (Rs. crore)	5.9	17.9
PAT (Rs. crore)	-4.6	0.0
OPBDIT/OI (%)	80.45%	72.00%
PAT/OI (%)	-79.06%	-0.17%
Total outside liabilities/Tangible net worth (times)	3.0	3.3
Total debt/OPBDIT (times)	23.7	10.3
Interest coverage (times)	1.0	2.0

*Provisional; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Source: Annual Report and Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)			Chronology of rating history for past 3 years			
		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	Date & rating in FY2020	
				Jan 06, 2023	Dec 31, 2021	Nov 27, 2020	Aug 30, 2019	
1 Term loan-1 (CF)	Long term	87.56	61.9	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	
2 Term loan-2 (LRD)	Long term	62.00	54.6	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	-	
3 Non-fund Based – Letter of Credit*	Long term	(10.00)	-	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	
4 Non-fund Based – Bank Guarantee	Long term	10.00	-	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	

Amount in Rs. crore; * Letter of credit limit of Rs 10 crore is a sublimit of Term Loan-Construction finance

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	Simple
Non-fund based – Letter of Credit	Very Simple
Non-fund based – Bank Guarantee	Very 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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-1 (CF)	Dec-18	--	June-33	87.56	[ICRA]A- (Stable)
NA	Term Loan-2 (LRD)	July-20	--	Oct-30	62.00	[ICRA]A- (Stable)
NA	Long-term – Non-fund Based- Letter of Credit*	Dec-18	--		(10.00)	[ICRA]A- (Stable)
NA	Long-term – Non-fund Based- Bank Guarantee	Dec-18	--		10.00	[ICRA]A- (Stable)

Source: Company; * Letter of credit limit of Rs. 10 crore is a sublimit of Term Loan-Construction finance

[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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