

July 28, 2023

## Unnati Logistics Park Private Limited: Rating reaffirmed; outlook revised to Positive from Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based - Term loan	67.00	67.00	[ICRA]A- (Positive); reaffirmed and Outlook revised to Positive from Stable
Long-term – Non-fund based - Bank guarantee	2.00	2.00	[ICRA]A- (Positive); reaffirmed and Outlook revised to Positive from Stable
Long Term – Non-fund based – Letter of credit (sublimit of term loan)	(10.00)	(10.00)	[ICRA]A- (Positive); reaffirmed and Outlook revised to Positive from Stable
<b>Total</b>	<b>69.00</b>	<b>69.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The outlook revision for Unnati Logistics Park Private Limited (ULPPL) factors in the improved cash flow visibility for the project, with construction for the pending block B100 (2.12 lakh sft) nearing completion (expected completion in September 2023) and expected commencement of lease rentals from December 2023. ULPPL has another block, B200 (1.68 lakh sft), which is generating rent for around 1.5 years at present. ICRA expects the leverage to be comfortable, with total external debt to annualised net operating income (NOI) at around 5 times and debt coverage metrics to be healthy, with five-year average DSCR of 1.30-1.35 times for FY2024-FY2028. The rating reaffirmation takes into account the low market risk, given the 100% leasing status for both the blocks (B100 and B200) of the company's logistics park- IndoSpace Mewa. The rating continues to derive comfort from the strong business profile of the IndoSpace Group (the Group) in the industrial, warehousing and logistics park business in India, with an established track record and the strong sponsor profile lends high financial flexibility. The rating also factors in the favourable location of IndoSpace Mewa, in the Irungattukottai micromarket and low funding risks for residual project execution.

The rating is, however, constrained by high tenant concentration risk with a single tenant occupying both the blocks. While long tenure of the lease agreement with a strong counterparty mitigates the risk to a large extent, any delays in rental payments or vacancy can adversely impact ULPPL's cash flow position. The company is exposed to high geographical and asset concentration risks inherent in single-project portfolio. The risk is, however, mitigated to some extent by the large portfolio of the Group across geographies and the established relationships with potential tenants. The debt coverage ratios remain vulnerable to any changes in interest rates.

### Key rating drivers and their description

#### Credit strengths

**Strong track record and business profile of sponsors; financial flexibility from being part of a strong sponsor group** – ULPPL is promoted by ILP III Ventures VII 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. At present, it manages assets worth over \$ 4 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 \$ 5 billion in private equity and real estate. GLP Global is an investment firm with over \$ 60-billion assets under management (AUM) across the real estate and private equity segments. ICRA derives comfort from the high financial flexibility of the network and its track record of honoring sponsor undertakings to lenders and infusion of funds into various special purpose vehicles (SPVs), whenever needed.

**Cash flow visibility with 100% leasing of the asset supported by favourable project location** – The IndoSpace Mewa is located about 1.25 km from the NH-48. The proximity to the NH-48 enables good connectivity through a well-developed road network into Tamil Nadu, Karnataka, and various other states. ULPPL has achieved full leasing as of March 2023, given which the market risks for the project remain low. The construction for the pending block B100 (2.12 lakh sft) is nearing completion (expected completion in September 2023) and the lease rentals are expected to commence from December 2023. The funding risk for block B100 is low, as the entire debt requirement has been tied up, with 100% of the equity requirement infused. The completed block, B200 (1.68 lakh sft), is generating rent for around 1.5 years at present. The long-tenure leases (weighted average balance lease expiry of 14.3 years) with a reputed counterparty, provide strong revenue visibility.

**Comfortable leverage and healthy debt coverage metrics** – ICRA expects the leverage to be comfortable, with total external debt to annualised net operating income (NOI) at around 5 times and debt coverage metrics to be healthy with five-year average DSCR of 1.3-1.35 times for FY2024-FY2028.

### Credit challenges

**Tenant concentration risk** – A single tenant occupies the entire park and, hence, the company is exposed to tenant concentration risk. While long tenure of the lease agreement with a strong counterparty mitigates the risk to a large extent, any delays in rental payments or vacancy can adversely impact ULPPL's cash flow position.

**Geographical and asset concentration risks** – IndoSpace Mewa is the single property under development by ULPPL, thus it is exposed to high geographical and asset concentration risks inherent in single-project companies. However, the diverse portfolio of IndoSpace, as one of India's leading developers of industrial and warehousing parks, offers comfort. It develops industrial and logistics parks for leading players across various sectors including automobiles, e-commerce, FMCG, 3PL and manufacturing, among others.

**Exposure to interest rate risk** – The debt coverage ratios remain vulnerable to any changes in interest rates.

### Liquidity position: Adequate

The company's liquidity position is adequate, with a Rs. 9.72-crore undrawn construction finance (CF) loan as on March 31, 2023, and unencumbered cash and liquid investments of Rs. 2.81 crore to fund the pending project cost of around Rs. 12.0 crore (inclusive of expected cost escalation). The debt repayments for the CF loan will commence from January 2024 and the cash flows from operations are expected to be sufficient to meet the same.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating, in case of commencement of rental inflow for all blocks, while maintaining comfortable leverage metrics. Specific credit metrics that could result in a rating upgrade would be five-year average DSCR greater than 1.3 times, on a sustained basis.

**Negative factors** – Any delays in commencement of rentals for the under-construction block, or any sustained vacancy or any additional indebtedness, resulting in weakening of leverage and debt coverage ratios may result in a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Unnati Logistics Park Private Limited is developing an integrated industrial and logistic park at Mevalurkuppam of Kancheepuram district on a 15.3-acres land with a total leasable area of 4.33 lakh sq. ft. ULPL is promoted by ILP III Ventures VII Pte. Ltd. (a part of the IndoSpace network), which holds 100% stake in the company. ILP III Ventures VII Pte. Ltd is further promoted by Realterm Global, Everstone Capital and GLP Global. The project has a scheduled commercial operation date in November 2023.

## Key financial indicators

Standalone	FY2022 (audited)	FY2023 (provisional)
Operating income	2.0	4.7
PAT	-2.5	-5.1
OPBDIT/OI	24.5%	77.5%
PAT/OI	-123.5%	-109.7%
Total outside liabilities/Tangible net worth (times)	3.0	4.5
Total debt/OPBDIT (times)	133.0	22.9
Interest coverage (times)	0.3	0.6

Source: Company financials; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore.  
All ratios as per ICRA calculations

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Current rating (FY2024)					Chronology of rating history for the past 3 years			
Instrument		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					July 28, 2023	June 28, 2022	May 21, 2021	
1	Term Loan	Long Term	67.00	57.35	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	-
2	Bank Guarantee	Long Term	2.00	-	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	-
3	Letter of Credit (Sublimit of Term Loan)	Long Term	(10.00)	-	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Bank Guarantee	Very Simple
Letter of Credit (Sublimit of Term loan)	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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Jan 2020	NA	Dec 2033	67.0	[ICRA]A- (Positive)
NA	Bank Guarantee	-	NA	-	2.0	[ICRA]A- (Positive)
NA	Letter of Credit (Sublimit of Term loan)	-	NA	-	(10.0)	[ICRA]A- (Positive)

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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