December 20, 2023

ILP 3 India 13 Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	240.00	240.00	[ICRA]BBB+ (Stable); Reaffirmed
Letter of credit#	(10.00)	(10.00)	[ICRA]A2; Reaffirmed
Bank guarantee	10.00	10.00	[ICRA]A2; Reaffirmed
Total	**250.00**	**250.00**	

**Instrument details are provided in Annexure-I*
 # Letter of Credit (LC) is a sub limit of Term Loans

Rationale

The reaffirmation of the ratings for ILP 3 India 13 Private Limited factors in the favourable location of the park at Ullavur, Oragadam, Chennai, with pre-leasing of 38% as of September 2023. The ratings note the comfortable leverage as well as adequate debt coverage metrics estimated for the project. ILP 3 India 13 Private Limited, a special purpose vehicle (SPV) sponsored by the IndoSpace network (IndoSpace), is jointly developing an industrial and logistics park at Ullavur, Oragadam, Chennai, with a total leasable area of 1.66 million square feet (msf), spread across five warehouse units, along with ILP 3 India 11 Private Limited and ILP 3 India 12 Private Limited. The project is favourably located with good connectivity to the Oragadam cluster and other adjacent industrial as well as warehousing hubs. As of September 2023, the company has pre-leased 6.3 lakh square feet (38% of the total area) against no pre-leasing tie-ups as of October 2022. The project is proposed to be funded in debt-to-equity ratio of 1:1. The funding risk remains low, as the entire debt requirement has been tied up and 67% of the committed equity requirement has already been infused as of June 2023. ICRA derives comfort from the comfortable leverage and the adequate debt service coverage ratio (DSCR) estimated from 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 rated facility has an escrow mechanism in place and requires maintaining a debt service reserve account (DSRA), equivalent to three months of interest repayment obligation during the entire loan tenure.
The ratings are, however, constrained by the project's exposure to execution risk as about 41% of the total project cost is yet to be incurred as on June 30, 2023, against the date of commencement of commercial operations (DCCO) of April 01, 2027. The company is exposed to market risk as 62% of the area is yet to be tied up as of September 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. However, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to execute and lease projects on time. The company is also vulnerable to high geographical and asset concentration risks inherent in a single project portfolio. Further, it is exposed to refinancing risk for the construction finance (CF) loan, which has two bullet repayments for 10% and 90% of the facility in September 2027 and September 2028, respectively. The relatively low leverage in the project resulting in moderate break-even occupancy, sponsors' leasing track record and exceptional financial flexibility mitigate the refinancing risk to an extent.

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 at adequate rental rates.

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsors – ILP 3 India 13 Private Limited is a wholly-owned subsidiary of ILP III Ventures XXI 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, and 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 Ullavur, Kanchipuram District, Oragadam, Chennai. The site is 4.4 km from the state highway (SH-48, i.e., Oragadam – Walajabad Highway) and 0.83 km from Ezhichur-Palur Road, with good connectivity to the Oragadam cluster and other adjacent industrial as well as warehousing hubs. The major target segments for the project are auto ancillary, electronics manufacturing/assembling, other light engineering companies, FMCG and third-party logistics (3PL) and e-commerce industry.

Comfortable leverage and low funding risk – The project's funding risk is low as the debt requirement has been tied up and nearly 67% of the equity requirement has already been infused as on June 30, 2023. The budgeted project cost of Rs. 479.7 crore is estimated to be funded by a debt-to-equity ratio of 1:1. ICRA derives comfort from the comfortable leverage and the adequate debt service coverage ratio (DSCR) estimated from the project. The rated CF facility requires maintaining a DSRA equivalent to three months of interest repayment obligation during the entire loan tenure.

Credit challenges

Exposure to project execution and market risks – The project is at an intermediate stage of execution, with 59% construction progress as on June 30, 2023. It has a total leasable area of 1.66 msf spread over five units, out of which two were completed and one was under construction 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 April 01, 2027, and the extensive experience of the sponsor in the warehousing space. The pre-leasing tie up is at 38% of the leasable area, exposing the company to market risk for the balance area.

Exposure to refinancing risk – The repayment of the existing CF facility is due in two bullet instalments of 10% and 90% of the total sanctioned limit in September 2027 and September 2028, respectively. Any delays in construction or inadequate leasing may adversely impact its refinancing ability. However, these risks are mitigated by the sponsors' leasing track record and exceptional financial flexibility. Moreover, the refinancing risk is mitigated to an extent by the relatively low leverage in the project, with a moderate breakeven in occupancy.

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's liquidity position is adequate with Rs. 7.1-crore cash and liquid investments and Rs. 99.0-crore undrawn bank limits, as on June 30, 2023. These, along with the balance equity commitment (including any internal accruals) of Rs. 99.7 crore are expected to be adequate to fund the pending project cost of Rs. 195.3 crore as on June 30, 2023.

Rating sensitivities

Positive factors – Significant progress in leasing at adequate rentals and mitigation of refinancing risk associated with CF loan 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 impacting its refinancing ability 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 Rating Methodology for Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of ILP 3 India 11 Private Limited, ILP 3 India 12 Private Limited and ILP 3 India 13 Private Limited, given the high degree of business, management linkages, cash flow fungibility and cross collateralisation for the rated loan.

About the company

ILP 3 India 13 Pvt. Ltd. (100% subsidiary of M/s. ILP III Ventures XXI Pte. Ltd., Singapore) is developing an industrial park located at Ullavur, Kanchipuram district, Oragadam, Chennai, on a parcel of land admeasuring about 68 acres held by ILP 3 India 13 Pvt. Ltd (29 acres), ILP 3 India 11 Pvt. Ltd. (22.8 acres) and ILP 3 India 12 Pvt. Ltd. (16.89 acres). The project comprises five warehouses with a leasable area of 1.66 msf.

Key financial indicators: Not applicable for 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 June 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 20, 2023	Oct 17, 2022	-	-
1	**Term loans**	Long-term	240.00	141.00	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Stable)**	-	-
2	**Letter of credit#**	Short-term	(10.00)	-	**[ICRA]A2**	**[ICRA]A2**	-	-
3	**Bank guarantee**	Short-term	10.00	-	**[ICRA]A2**	**[ICRA]A2**	-	-

 # Letter of Credit (LC) is a sub limit of Term Loans

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
Letter of credit	Very Simple
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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loans**	Dec 31, 2021	-	FY2029	240.00	[ICRA]BBB+ (Stable)
NA	**Letter of credit***	Dec 31, 2021	-	FY2029	(10.00)	[ICRA]A2
NA	**Bank guarantee**	Dec 31, 2021	-	FY2029	10.00	[ICRA]A2

*Source: Company data; *Letter of Credit (LC) is a sub limit of Term Loans*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
ILP 3 India 13 Private Limited	100% (rated entity)	Full Consolidation
ILP 3 India 11 Private Limited	100%	Full Consolidation
ILP 3 India 12 Private Limited	100%	Full consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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