

January 31, 2024

ERPL Warehousing Park Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term loans	225.00	225.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term - Letter of credit (LC)	(10.00)^	(10.00)^	[ICRA]BBB+ (Stable); reaffirmed
Short-term - Bank guarantee	10.00	10.00	[ICRA]A2; reaffirmed
Total	235.00	235.00	

*Instrument details are provided in Annexure-I

^LC is a sub limit of term loan

Rationale

The reaffirmation of the ratings for ERPL Warehousing Park Private Limited (ERPL) factors in the favourable location of the asset with leasing and commencement of rentals for 76% of the total leasable area as of September 2023. ERPL is developing an industrial and logistics park on 49 acres of land, with a leasable area of ~1.2 million square feet (msf), spread across three units. Two out of the three blocks, accounting for 76% of the leasable area have been constructed and leased, with rentals commencing from May 2023. The project is favourably located on the Kundli Manesar Palwal Expressway Road in Taoru, Delhi, NCR with good connectivity through a well-developed network to Gurgaon and Delhi. Further, the funding risk of the project remains low, as the entire debt requirement has been tied up and 92% of the committed equity requirement had been infused as on September 30, 2023, for a budgeted debt-to-equity ratio of 1.21:1. The project is estimated to have moderate leverage and adequate debt service coverage metrics. The ratings continue to draw comfort from the strong business profile of the IndoSpace network (IndoSpace) 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 servicing obligations during the moratorium period.

The ratings are, however, constrained by the project's exposure to residual execution risk as about 23% of the budgeted total project cost was yet to be incurred as of September 2023, against the commencement of commercial operations (DCCO) of October 01, 2025. The project also faces market risk for the balance unleased area and the company's ability to achieve incremental leasing in a timely manner and at adequate rental rates, remains a key monitorable. ICRA notes that there is a marginal reduction in leasable area from the planned 1.26 million square feet (msf) to 1.21 msf, while there has not been any revision in the project cost as of now. The company also faces refinancing risk for its current construction finance loan (CF) which has a single bullet repayment falling due in January 2027. Nonetheless, the extensive experience of the sponsor in the execution and leasing of warehouses along with significant financial flexibility provide comfort. The company is also vulnerable to high geographical and asset concentration risks inherent in a single-project portfolio.

The Stable outlook reflects ICRA's opinion that the company is expected to complete the project within the scheduled DCCO and secure lease tie ups at adequate rental rates for the balance area. ICRA expects the company to maintain adequate leverage and debt coverage indicators post completion of the project.

Key rating drivers and their description

Credit strengths

Established track record and strong business profile of sponsor - ERPL is promoted by ILP III Ventures XXVIII Pte. Ltd (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 and at present manages assets worth over \$7 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, managing multiple asset classes, including real estate, private equity and infrastructure. It has over \$100 billion assets under management (AUM) across the real estate and private equity segments.

Favourable project location; commencement of rentals for 76% of the leasable area – The project location is in Taoru, Delhi, NCR. The site is located 34 km from the Kundli Manesar Palwal Expressway Road, providing connectivity through a well-developed network to Gurgaon and Delhi. In addition, the proposed logistics park is well-connected to the industrial area of Taoru, which has many e-commerce and third-party logistics players. ERPL is exposed to the project's low market risk as the company has signed lease deeds for 76% of the area, with one of the leading e-commerce marketplaces in the country.

Low funding risk – The project's funding risk is low as the entire debt requirement has been tied up and 92% of the committed equity requirement had been infused as on September 30, 2023, for a budgeted debt-to-equity ratio of 1.21:1. The rated facility has an escrow mechanism in place and requires maintaining a DSRA equivalent to three months of interest servicing obligations during the moratorium period. ICRA also notes the presence of a rating downgrade-linked cancellability covenant specified in the bank sanction.

Credit challenges

Exposure to residual execution and market risks – The project is exposed to residual execution risk as about 23% of the budgeted total project cost is yet to be incurred as of September 2023, against the commencement of commercial operations (DCCO) of October 01, 2025. The project also faces market risk for the balance unleased area and the company's ability to achieve incremental leasing in a timely manner and at adequate rental rates, remains a key monitorable. ICRA notes that there is a marginal reduction in leasable area from the planned 1.26 million square feet (msf) to 1.21 msf, while there has not been any revision in the project cost as of now.

Exposure to refinancing risk - The construction finance loan (CF) has a single bullet repayment falling due in January 2027, exposing the company to refinancing risk. Nonetheless, the extensive experience of the sponsor in the execution and leasing of warehouses along with significant financial flexibility provide comfort.

Geographical and asset concentration risks – ERPL 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. 17.9-crore free cash and liquid investments as on September 30, 2023. The pending equity commitment from the sponsors of Rs. 14.3 crore as of September 2023 and the undrawn construction finance loan of Rs. 49.4 crore, along with the security deposits from the tenants, internal accruals and current free cash/liquid investments will be adequate to fund the pending project cost of Rs. 94.7 crore. The project is expected to be completed by September 2025. The bullet repayment is due in January 2027. The company is expected to refinance the same through LRD loan. The cash flows from the project's operations are estimated to be sufficient to service the debt obligations for LRD loan.

Rating sensitivities

Positive factors – Tie-up of leasing for the remaining block and timely commencement of rentals, along with a significant improvement in the leverage and coverage indicators could lead to a rating upgrade. A specific metric that could result in an upgrade would be if five-year average DSCR is greater than 1.20 times, on a sustained basis.

Negative factors – Any significant cost overruns or unforeseen delays in the completion of the project, or considerable delays in achieving balance lease tie-ups at adequate rental rates, or any significant increase in indebtedness impacting the leverage and coverage indicators could lead to a rating downgrade.

Analytical approach

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

About the company

ERPL Warehousing Park Private Limited is an SPV and the entity owning the land for the development of the project. The company is a 100% subsidiary of ILP III Ventures XXVIII Pte. Ltd., Singapore and is developing the project for setting up an industrial and logistic park at Taoru, Delhi, NCR. The project is being developed on land admeasuring approx. 49 acres and total leasable area of approx. 1.21 msf.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	-	2.4
PAT	-0.72	-2.42
OPBDIT/OI	-	30.4%
PAT/OI	-	-99.4%
Total outside liabilities/Tangible net worth (times)	1.43	2.45
Total debt/OPBDIT (times)	-102.38	267.27
Interest coverage (times)	-17.37	0.27

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Sep-2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Jan 31, 2024	Nov 22, 2022	Nov 17, 2021	-
1 Term loans	Long term	225.00	175.60	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-
2 Letter of credit (LC)	Long term	(10.00)*	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-
3 Bank guarantee	Short term	10.00	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	-

* LC is a sub limit of Term loan

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
Letter of credit (LC)	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	May 28, 2021	-	FY2027	225.00	[ICRA]BBB+ (Stable)
NA	Letter of credit*	May 28, 2021	-	-	(10.00)*	[ICRA]BBB+ (Stable)
NA	Bank guarantee	May 28, 2021	-	-	10.00	[ICRA]A2

Source: Company

* LC is a sub limit of Term loan

[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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