

February 27, 2024

Keisha Enterprises Pvt. Ltd.: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Term loans	10.91	25.00	[ICRA]BBB- (Stable); reaffirmed/assigned for enhanced amount
Unallocated limits	3.09	0.00	-
Total	14.00	25.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Keisha Enterprises Pvt. Ltd. (KEPL) factors in the continued healthy occupancy of 100% leased by Qwik Supply Chain Private Limited (QSCPL), with the end-user being Reliance Retail Limited and adequate debt protection metrics. Backed by full occupancy and timely rentals escalations, the company's debt coverage and leverage metrics are expected to remain adequate, despite top-up loan of ~Rs. 15 crore availed in September 2023. The leverage, as reflected by total external debt/net operating income (NOI), is likely to be in the range of 6-6.5 times in FY2024 (PY: 3.0 times) and FY2025, along with five-year average debt service coverage ratio (DSCR) of around 1.2 times during FY2024-FY2028. KEPL maintains debt service reserve account (DSRA) of around three months' debt obligation (principal + interest) in the form of fixed deposits (FD) with the bank. The rating continues to factor in the extensive experience of the promoters of in the warehouse business and the favourable location of the warehouse near Kompally, Hyderabad.

The rating, however, remains constrained by KEPL's small scale of operations with expected revenue of around Rs. 4.7-5.1 crore for FY2024-FY2025 and its high asset and tenant concentration risks, with the single warehouse leased to QSCPL contributing 100% of the total rental income. Consequently, the company is vulnerable to delays in rent remittance by the tenant or vacancy of the warehouse. However, KEPL has been receiving timely payments since inception. ICRA also notes the intense competition in the highly fragmented warehousing industry, dominated by many unorganised players in the Hyderabad region.

The Stable outlook on the rating reflects ICRA's expectation that KEPL will benefit from long-term lease agreement with QSCPL for the entire leasable area and maintain adequate debt protection metrics.

Key rating drivers and their description

Credit strengths

Adequate debt protection metrics – Backed by continued full occupancy of 100% and timely rental escalations, KEPL's debt coverage and leverage metrics are expected to remain adequate, despite top-up loan worth ~Rs. 15 crore availed in September 2023. The leverage (total external debt/NOI) is expected to be in the range of 6-6.5 times in FY2024 (PY: 3.0 times) and FY2025, with five-year average DSCR of around 1.2 times during FY2024-FY2028. The company maintains DSRA of around three months of debt obligation (principal + interest) in the form of FD with bank.

Favourable location of warehouse and a reputed tenant profile – The warehouse is located near Kompally, Hyderabad, which is near the Outer Ring Road (ORR), providing easy accessibility to various districts of Telangana. The company has lease

agreement with QSCPL for its entire leasable area of 2,14,365 sq. ft. and the warehouse is used by Reliance Retail Ltd. The company has lease agreement with QSCPL for 15 years with an escalation of lease rentals after every three years.

Experienced promoters in the warehouse leasing business – The promoters have been in the warehouse leasing business for the last 15 years and has an operational warehousing portfolio of around 1.8 million square feet (msf).

Credit challenges

Small scale of operations and moderate profitability – KEPL's scale of operations is small with an expected revenue of Rs. 4.7-5.1 crore over FY2024-FY2025, as it has a single warehousing facility with a leasable area of 2,14,365 sq. ft. The operating margin remained moderate at 67.7% in FY2023. It is likely to remain at a similar range going forward, as KEPL pays land lease rentals to its landlord, which accounts for 15-16% of its total revenue.

Asset and tenant concentration – The company faces asset and tenant concentration risks as it operates only one facility and the entire facility has been leased out to a single tenant, QSCPL. Its lock-in period has expired and QSCPL has an option to terminate the lease with three months of notice. However, the risk of termination is low with QSCPL investing significant amount in fit outs.

Highly competitive and fragmented market – The industry is highly fragmented and competitive in nature, dominated by unorganised players.

Liquidity position: Adequate

KEPL's liquidity position is adequate, with comfortable expected cash flow from operations to service debt repayment obligations. It reported unencumbered cash balances of Rs. 0.55 crore as on March 31, 2023. The company does not have any capital expenditure plans over the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade KEPL's rating if there is diversification in the tenant base and increase in scale of operations, along with improvement in leverage and coverage metrics with the utilisation of cash surplus to accelerate debt repayment.

Negative factors – Pressure on KEPL's rating could arise if there is a delay in rental receipts from the tenant or the lease is renegotiated at a substantially lower rate or material increase in indebtedness resulting in weakening of debt protection metrics. Specific credit metric that could lead to rating downgrade include five-year average DSCR remaining below 1.10 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting (LRD)
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

About the company

Incorporated in 2017, KEPL is a special purpose vehicle (SPV) formed by Zeromile Warehousing Private Limited (ZWPL) for constructing and leasing a warehouse. KEPL has a 2,14,365 sq. ft. warehouse near Kompally, Hyderabad, which has been leased to QSCPL and is used by Reliance Retail Limited. ZWPL is promoted by Mr. Sundeep Reddy and his family and has various warehouses under its portfolio in the Hyderabad region.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	4.27	4.48
PAT	0.7	0.8
OPBDIT/OI	67.7%	67.7%
PAT/OI	15.7%	17.1%
Total outside liabilities/Tangible net worth (times)	21.0	8.7
Total debt/OPBDIT (times)	6.1	4.0
Interest coverage (times)	2.6	2.8

Source: Company data and ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Chronology of rating history for the past 3 years			
				Current rating (FY2024)			
				Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Feb 27, 2024	Nov 16, 2022	Aug 13, 2021	Sep 01, 2020
1 Term loan	Long term	25.00	10.30	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
2 Unallocated limits	Long term	0.00	-	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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	Fund-based – Term loan	September 2023	NA	August 2037	25.00	[ICRA]BBB- (Stable)

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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Branches



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