March 18, 2024

Genome Valley Pharma Parks and Incubators Private Limited: [ICRA]BBB(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	285.00	[ICRA]BBB (Stable); Assigned
Long-term – Unallocated	15.00	[ICRA]BBB (Stable); Assigned
Total	**300.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned rating for Genome Valley Pharma Parks and Incubators Private Limited (GVPPI) factors in the strong sponsor profile, wherein 100% stake is held by Actis Rx2 (Mauritius) Private Limited, an entity of the Actis Group, which has around 87 million square feet (msf) of assets under management in the real estate space across the world. The rating considers the experience of the development manager, i.e., Rx Propellant Private Limited (Actis is a 99% shareholder in Rx Propellant) in development and leasing of life sciences real estate. The rating notes the favourable location of the asset at TTC Industrial Area in Jui Nagar, which is a well-developed industrial area in Navi Mumbai. The favourable location and the experienced Development manager are likely to translate into adequate leasing for the project by the date of commencement of commercial operations (DCCO) in December 2026. The presence of strong promoters lends strong financial flexibility to the company. The project is to be funded by debt-to-equity ratio of 2.27:1, 100% of the required equity is infused and the debt has been sanctioned as of December 2023, which reduces the funding risk. As a part of the sanction terms for the construction finance (CF) debt, the sponsor has provided undertaking to fund any cost overruns in the project and shortfall in debt servicing through its own sources, which provides comfort. The coverage metrics post completion of the project is estimated to be adequate.

The assigned rating, however, is constrained by GVPPI's exposure to execution risk as the project is in the nascent stages of construction. There has been no pre-leasing achieved as on date, which exposes the company to market risk. Hence, its ability to achieve leasing on time and at adequate rental rates will be the key rating monitorable. ICRA notes the strong enquiry pipeline for the project. ICRA also notes the leasing linked disbursement norms for availing debt above Rs. 200 crore, which may impact the debt drawing capacity of the company in case of inadequate leasing. Any delays in project completion or inadequate leasing may adversely impact its refinancing ability. These risks are mitigated by the strong execution and leasing track record of Actis as well as the development manager and the DCCO date of December 2026, which gives adequate time for completion and leasing of the project. Further, there is a cushion of around one year between the due date of the construction loan and the target completion date, which mitigates the risk to an extent. The sponsors have provided an undertaking to infuse additional funds in case of inadequate leasing. The company is also exposed to high geographical and asset concentration risks inherent in single-project companies.

The Stable outlook reflects ICRA's expectation that GVPPI will benefit from the strong profile of the Sponsor and the Development Manager, which is expected to translate into healthy leasing at adequate rental rates, thereby resulting in adequate debt protection metrics.

Key rating drivers and their description

Credit strengths

Strong profile of the sponsor – GVPPI is a wholly-owned subsidiary of Actis Rx2 (Mauritius) Private Limited, an entity of the Actis Group, which has around 87 msf of assets under management in the real estate space across the world. The development manager, i.e., Rx Propellant Private Limited (Actis is a 99% shareholder in Rx Propellant) has a strong track record in development and leasing of life sciences real estate. Rx Propellant is currently managing around 1.5 msf of area in life sciences real estate.

Favourable project location – The asset is located at TTC Industrial Area in Jui Nagar, which is a well-developed industrial area in Navi Mumbai. The location has good connectivity by roads as well as railways and is in close proximity to major commercial hubs in Navi Mumbai. The favourable location and the experienced development manager are likely to translate into adequate leasing for the project by DCCO in December 2026.

Low funding risk – The project is to be funded by debt-to-equity ratio of 2.27:1, 100% of the required equity is infused and the required debt has been sanctioned as of December 2023, which reduces the funding risk. As a part of the sanction terms for the CF debt, the sponsor has provided undertaking to fund any cost overruns in the project and shortfall in debt servicing through its own sources, which provides comfort.

Credit challenges

Exposure to project execution risk – GVPPI is exposed to execution risk as the project is in the nascent stages of construction. ICRA also notes the leasing-linked disbursement norms for availing debt above Rs. 200 crore, which may impact its debt drawing capacity in case of inadequate leasing. Nevertheless, these risks are mitigated by the strong execution and leasing track record of Actis as well as the development manager and the DCCO date of December 2026, which gives adequate time for completion and leasing of the project.

High market risk and refinancing risk – There has been no pre-leasing achieved as on date, which exposes the company to market risk. Hence, its ability to achieve leasing on time and at adequate rental rates will be the key rating monitorable. Any delays in project completion or inadequate leasing may adversely impact its refinancing ability. However, there is a cushion of around one year between the due date of the construction loan and the target completion date, which mitigates the risk to an extent.

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 the track record of the strong execution and leasing track record of Actis and the development manager.

Liquidity position: Adequate

The total project cost is around Rs. 411 crore (For Phase 1), which is being funded by debt to equity mix of 2.27:1. The sponsor has infused 100% of the total equity as of December 2023 and the required debt has been tied up, which considerably reduces the funding risk for the project. As of December 2023, Rs. 268.1 crore of CF debt was undrawn.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is significant leasing at adequate rental rates mitigating the refinancing risk and resulting in adequate debt protection metrics.

Negative factors – Downward pressure on the rating could emerge if a significant delay in construction progress or inability to achieve adequate leasing impact the company's ability to timely refinance the CF loan.

Analytical approach

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

About the company

Genome Valley Pharma Parks and Incubators Private Limited (GVPPI) is a company incorporated on June 10, 2021, GVPPI is an SPV of Actis and is developing a project called Navi Mumbai Research District located at TTC Industrial Area, in Jui Nagar, in Navi Mumbai. The project will cater to entities in pharmaceutical/life sciences industry to set up their R&D facility. It is expected to have a leasable area of 1.2 msf and will be completed in phases. Currently, phase-I of the project with a leasable area of 0.44 msf is under construction.

Key financial indicators – Not applicable being 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 Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					March 18, 2024	-	-	-
1	**Term loans**	Long term	285.00	16.9	[ICRA]BBB (Stable)	-	-	-
2	**Unallocated**	Long term	15.00	0.0	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Unallocated	Not Applicable

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**	FY2024	NA	FY2028	285.00	[ICRA]BBB (Stable)
NA	**Unallocated**	NA	NA	NA	15.00	[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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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.

For more information, visit www.icra.in

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