

April 22, 2024

ILV Distripark Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term Loans	150.0	150.0	[ICRA]A (Stable); reaffirmed
Long-term – Unallocated	10.0	10.0	[ICRA]A (Stable); reaffirmed
Total	160.0	160.0	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the healthy occupancy levels of 88% as of December 2023 for the operational area, timely rental collections and comfortable debt protection metrics of ILV Distripark Private Limited (ILVDPL). While there is moderation in occupancy from 100% as of March 2023 since one of the tenants has vacated the space, the company is in advanced discussions to lease out the vacated space in Q1FY2025. It is in the process of refinancing the existing loan with a top-up loan of Rs. 20-25 crore. However, the debt protection metrics are expected to remain comfortable with estimated external debt/NOI of 5.1 times (PY: 4.7 times) as of March 2025 and five-year average DSCR at around 1.4 times (FY2025-FY2029). The rating continues to consider the company's established operational track record under the management of LOGOS India Logistics Venture Fund (LILVF) and the favourable location of the asset. ILVDPL is 100% owned by LOGOS India Logistics Venture Fund (LILVF), which is managed by LAI Investment Manager Private Limited, part of the LOGOS Property Group, which was acquired by the ESR Group in 2022. The ESR Group has an established track record of developing and leasing large logistics and industrial parks globally.

The rating is, however, constrained by the company's limited scale of operations and exposure to geographical and asset concentration risks inherent in single project companies. The tenant concentration remains moderate with top five tenants comprising 58% of the leasable area and contributing to 66% of the rentals. Any significant weakening in the credit profile or business operations of the tenants, resulting in material reduction in occupancy or delays in rent receipts, may adversely impact ILVDPL's operational cash flows. Nonetheless, the tenant concentration risk is mitigated to some extent as 56% of the leased area is currently under the lock-in period and has a track record of timely rental collections. The rating also notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels. Further, the increase in competition in the industrial warehousing segment may put pressure on the occupancy or the rental rates over the medium to long term.

The Stable outlook on the rating reflects ICRA's opinion that ILVDPL will continue to benefit from the favourable location of asset, generate steady rental revenues and maintain comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Comfortable leverage and coverage metrics – The company is in the process of refinancing the existing loan with a top-up loan of Rs. 20-25 crore. However, the debt protection metrics are expected to remain comfortable with estimated external debt/NOI of 5.1 times (PY: 4.7 times) as of March 2025 and five-year average DSCR at around 1.4 times (FY2025-FY2029). The rating also considers the presence of a debt service reserve account (DSRA), with six months of debt servicing obligations. Further, the debt servicing is supported by the ringfencing of rental receipts through an escrow mechanism.

Experienced promoters with long track record in warehousing space globally – ILVDPL is 100% owned by LILVF, which is managed by LAI Investment Manager Private Limited, a part of the LOGOS Property Group, which was acquired by the ESR Group in 2022. The ESR Group has an established track record of developing and leasing large logistic and industrial parks globally.

Credit challenges

Exposed to moderate tenant concentration risk – The tenant concentration remains moderate with top five tenants (out of total eleven tenants) constituting 58% of the leasable area and contributing to 66% of the rentals. Given the moderate tenant concentration, any weakening in credit profile or business operations of the tenants resulting in material reduction in occupancy or delays in rent receipts may adversely impact the operational cash flows. Nonetheless, the tenant concentration risk is mitigated to some extent as 56% of the leased area is currently under the lock-in period and has a track record of timely rental collections. The rating considers the limited scale of operations and exposure to geographical and asset concentration risks inherent in single project companies.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The debt coverage metrics remain vulnerable to rise in interest rates and material reduction in occupancy levels. Further, increase in competition in the industrial warehousing segment may put pressure on the occupancy or the rental rates over the medium to long term.

Liquidity position: Adequate

The liquidity is adequate as reflected by stable rental inflows, limited operating expenses and unencumbered cash balances of Rs. 8.3 crore as on March 31, 2024. The company has debt repayment obligations of Rs. 7.6 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade ILVDPL's rating if there is a significant increase in rental income with timely rental escalations. Specific credit metrics that could lead to a rating upgrade include Debt/NOI of less than 5.0 times and five-year average DSCR of above 1.5 times on a sustained basis.

Negative factors – Negative pressure on ILVDPL's rating could arise if there is any material reduction in occupancy or a significant increase in indebtedness, which results in moderation of leverage and coverage metrics. Specific credit metrics that could lead to a rating downgrade include five-year average DSCR declining below 1.25 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 company's standalone financial statements

About the company

ILV, established in 2014, is held by Logos India Logistics Venture Fund. The company operates an industrial warehouse park called Mappedu Logistics Park (MLP) with a total leasable area of close to 1.2 msf in Satharai village, Mappedu, Tamil Nadu. Additionally, an area of around 0.1 msf is under-development currently. The warehouse park is located at a distance of 54 km from Chennai.

Key financial indicators (audited)

ILV Standalone	FY2022	FY2023	FY2024*
Operating income	22.6	25.3	26.8
PAT	-15.7	-12.0	-8.4
OPBDIT/OI	71.4%	76.5%	85.5%
PAT/OI	-69.3%	-47.4%	-31.4%
Total outside liabilities/Tangible net worth (times)	10.2	36.5	-55.6
Total debt/OPBDIT (times)	9.6	8.4	6.8
Interest coverage (times)	1.0	1.2	1.3

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 22, 2024	Apr 25, 2023	-	Mar 02, 2022
1 Term loans	Long term	150.0	107.9	[ICRA]A (Stable)	[ICRA]A (Stable)	-	[ICRA]A (Stable)
2 Unallocated	Long term	10.0	--	[ICRA]A (Stable)	[ICRA]A (Stable)	-	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based/Term loan	Simple
Long-term – Unallocated	NA

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	Dec-20	NA	Jan-33	150.0	[ICRA]A (Stable)
NA	Unallocated limits	NA	NA	NA	10.0	[ICRA]A (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.

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Abhishek Lahoti
+91 40 6939 6433
abhishek.lahoti@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Preeti Rana
+91 124 4545 887
preeti.rana@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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