June 07, 2024

LI Industrial Parks Pvt Ltd: Rating upgraded to [ICRA]BBB+; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – fund based – term loans	345.01	216.66	[ICRA]BBB+; Upgraded from [ICRA]BBB and outlook revised to Stable from Positive
Total	**345.01**	**216.66**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade for LI Industrial Parks Private Limited (LIPPL) factors in the adequate progress in leasing and construction of the project. The occupancy level improved to 66% (PY: 56%) of the total leasable area (3.07 msf) and the occupancy stood at 95% for the operational area of 2.13 msf as on March 31, 2024. The company achieved construction progress of 78% as of March 2024 (PY: 70%). The ongoing construction for the remaining area is expected to be completed by March 2025. With healthy leasing pipeline, the occupancy is likely to further ramp-up in the medium term. Also, the company's debt coverage metrics remain adequate with 5-year average DSCR of 1.15-1.20 times (FY2025 – FY2029). The LRD facility includes a debt service reserve account (DSRA) balance equivalent to three months of debt servicing being maintained by the company.

The rating draws comfort from the company's operational track record under the management of LOGOS India Logistics Venture Fund (LILVF) and the favourable location of the asset. LIPPL 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 LIPPL's high leverage with total external debt/annualised NOI of around 8.6 times as of March 2024. Although the company has a leasing pipeline for part of the pending area, the timely leasing of the under-construction area at adequate rentals remains critical for refinancing the pending CF loan in a timely manner. The rating also notes the vulnerability of the debt coverage ratios to factors such as changes in interest rates or reduction in occupancy levels. Further, growing 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 [ICRA]BBB+ rating reflects ICRA's opinion that LIPPL will continue to maintain healthy occupancy of the completed area, tie-up adequate leasing for the under-construction area, which will support in timely refinancing of the remaining construction finance loan and maintain adequate debt coverage metrics.

Key rating drivers and their description

Credit strengths

Experienced promoters with long track record in warehousing – The company is 100% owned by LILVF, which is managed 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.

Improvement in occupancy levels; healthy leasing pipeline for under-construction area – The occupancy level improved to 66% (PY: 56%) of the total leasable area (3.07 msf) and the occupancy remained at 95% for the operational area of 2.13 msf as on March 31, 2024. The company achieved construction progress of 78% as of March 2024 (PY: 70%) and the ongoing construction for the remaining area is expected to be completed by March 2025. With healthy leasing pipeline, the occupancy is likely to further ramp-up in the medium term. Also, the company's debt coverage metrics remain adequate with 5-year average DSCR of 1.15-1.20 times (FY2025 – FY2029).

Credit challenges

Exposure to refinancing risks – The company's leverage remains high with total external debt/annualised NOI of around 8.6 times as of March 2024. Although it has a leasing pipeline for part of the pending area, timely leasing of the under-construction area at adequate rentals remains critical for refinancing the pending CF loan in a timely manner. The LRD facility includes a DSRA balance equivalent to three months of debt servicing being maintained by the company.

Exposure to moderate execution and market risks – The company achieved construction progress of 78% as of March 2024 (PY: 70%). The ongoing construction for the remaining area is expected to be completed by March 2025. Although it has a leasing pipeline for part of the pending area, the timely leasing of the under-construction area at adequate rentals remains critical for refinancing the pending CF loan in a timely manner. The rating notes the vulnerability of the debt coverage ratios to factors such as changes in interest rates or reduction in occupancy levels. Further, growing 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 company's liquidity position is adequate. LIPPL had free cash balance of Rs. 13.6 crore as on March 31, 2024. It has debt repayment obligation of Rs. 9.8 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations. The pending capex cost of Rs. 135-140 crore as on March 31, 2024 is expected to be funded through undrawn debt of Rs. 119 crore and the balance through equity proceeds and internal accruals.

Rating sensitivities

Positive factors – The rating may be upgraded if there is a significant increase in leasing at adequate rental rates, along with the conversion of the pending construction finance loan into LRD loan resulting in improvement in debt protection metrics. Specific credit metric that could lead to a rating upgrade include five-year average DSCR greater than 1.2 times on a sustained basis.

Negative factors – Pressure on the rating could arise if there is any unforeseen delay in completion of the project, or considerable delays in achieving lease tie-ups at adequate rental rates, or any significant increase in indebtedness impacting the debt protection metrics 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	Standalone

About the company

LI Industrial Parks Private Limited (LIPPL), established on August 28, 2018, is held by LOGOS India Logistics Venture Fund. The company is involved in the development, leasing and maintenance of an industrial park at Luhari (in Jajjar, Haryana within the NCR region), named LOGOS Luhari Logistics Estate (Logos Luhari). The project is being built on a land parcel of 122.8 acres. The total leasable potential of the entire project, being developed across three phases, is approximately 3.08 million square feet (msf). The company launched phase-I of the project with a leasing potential of 1.18 msf in FY2020. In FY2022, it commenced construction of phase-II and phase-III of the project with a leasable area of 1.23 msf and 0.67 msf, respectively.

Key financial indicators (audited)

	FY2022	FY2023	FY2024*
Operating income	9.3	30.4	44.8
PAT	-7.4	-42.9	-35.0
OPBDIT/OI	32.5%	74.4%	83.1%
PAT/OI	-78.9%	-141.2%	-78.0%
Total outside liabilities/Tangible net worth (times)	4.0	10.4	40.2
Total debt/OPBDIT (times)	114.1	21.2	14.2
Interest coverage (times)	0.8	1.1	1.4

*Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; Amount 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	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Jun 7, 2024	Jun 13, 2023	July 15, 2022	Aug 31, 2021
1	Term loans	Long term	216.66	97.2	[ICRA]BBB+ (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loans	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 loan - I**	Sep 2020	-	Jul 2025	32.40	[ICRA]BBB+ (Stable)
NA	**Term loan – II**	Apr 2021	-	Sep 2025	68.43	[ICRA]BBB+ (Stable)
NA	**Term loan – III**	Feb 2022	-	Apr 2026	115.83	[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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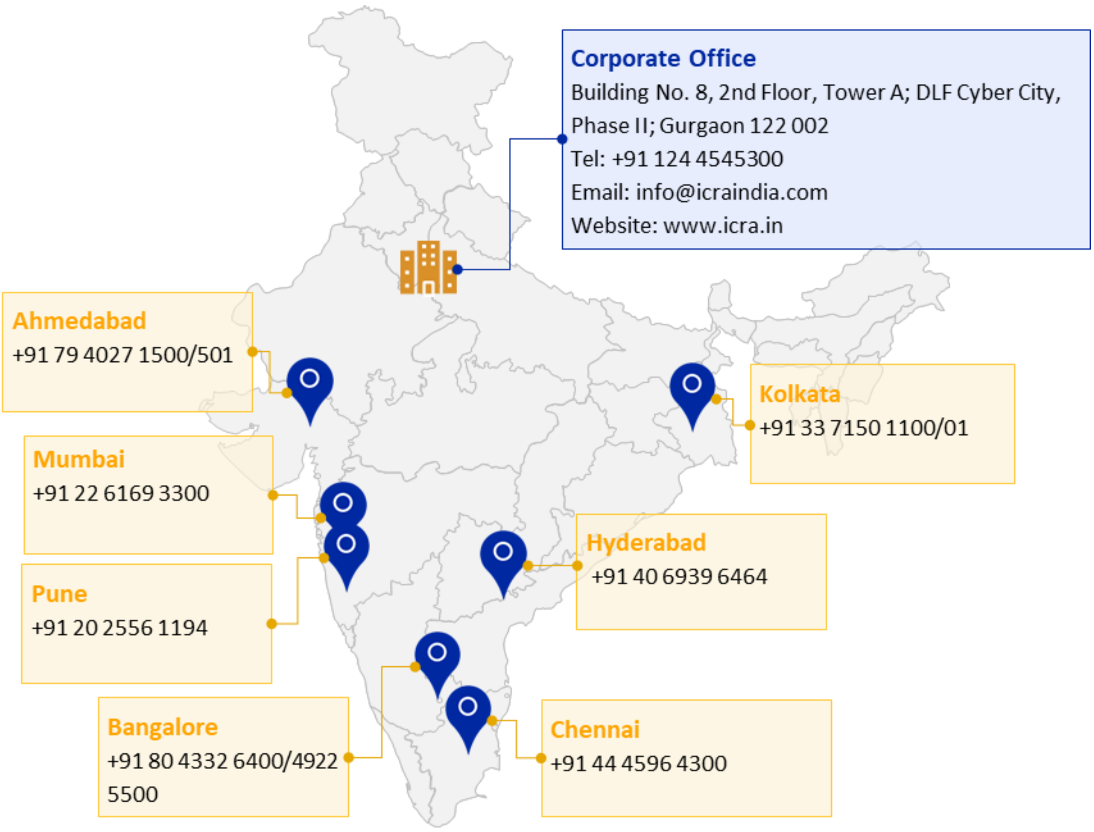

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