

June 24, 2024

Unnati Logistics Park 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 loan	67.00	67.00	[ICRA]A- (Positive); Reaffirmed
Long-term – Non-fund based - Bank guarantee	2.00	2.00	[ICRA]A- (Positive); Reaffirmed
Long-term – Non-fund based – Letter of credit (sublimit of term loan)	(10.00)	(10.00)	[ICRA]A- (Positive); Reaffirmed
Total	69.00	69.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action and Positive outlook for the bank facilities of Unnati Logistics Park Private Limited (ULPPL) factors in the commencement of rentals for the entire leasable area (3.80 lakh square feet) with 100% occupancy, along with comfortable leverage and adequate debt coverage metrics. The IndoSpace Mewa logistics park has two blocks, B100 (2.12 lakh sq ft) and B200 (1.68 lakh sq ft), which are fully leased. The rentals commenced in November 2021 for B200 and in February 2024 from B100. ICRA expects the leverage to be comfortable, with total external debt to annualised net operating income (NOI) at around 5 times as of March 2025 and debt coverage metrics to be adequate, with five-year average DSCR of 1.24-1.26 times for FY2025-FY2029. The rating continues to derive comfort from the strong business profile of the IndoSpace Group (the Group) in the industrial, warehousing and logistics park business in India, with an established track record and the strong sponsor profile lends high financial flexibility. The rating notes the favourable location of IndoSpace Mewa, in the Irungattukottai micromarket.

The rating is, however, constrained by the high tenant concentration risk with a single tenant occupying both the blocks. While the long tenure of the lease agreement with a strong counterparty mitigates the risk to a large extent, any delays in rental payments or any vacancy can adversely impact ULPPL's cash flow position. The company is exposed to high geographical and asset concentration risks inherent in a single project portfolio. The risk is, however, mitigated to some extent by the large portfolio of the Group across geographies and the established relationships with potential tenants. The debt coverage ratios remain vulnerable to any changes in interest rate on the existing loans availed by the company.

Key rating drivers and their description

Credit strengths

Full leasing with commencement of rentals from all blocks supported by favourable project location – The IndoSpace Mewa is located about 1.25 km from the NH-48. The proximity to NH-48 enables good connectivity through a well-developed road network into Tamil Nadu, Karnataka, and various other states. The IndoSpace Mewa logistics park has two blocks, B100 and B200, which are fully leased. The rentals commenced in November 2021 for B200 and in February 2024 from B100.

Comfortable leverage and adequate debt coverage metrics – ICRA expects the leverage to be comfortable with the total external debt to annualised NOI at around 5 times as of March 2025 and debt coverage metrics to be adequate with five-year average DSCR of 1.24-1.26 times for FY2025-FY2029.

Strong track record and business profile of sponsors; financial flexibility from being part of a strong sponsor group – ULPPL is promoted by ILP III Ventures VII Pte. Ltd (part of the IndoSpace network), which 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. At present, it manages assets worth over \$ 4 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 with over \$ 60-billion assets under management (AUM) across the real estate and private equity segments. ICRA derives comfort from the high financial flexibility of the network and its track record of honoring sponsor undertakings to lenders and infusion of funds into various special purpose vehicles (SPVs), whenever needed.

Credit challenges

Tenant concentration risk – A single tenant occupies the entire park, which exposes the company to high tenant concentration risk. While long tenure of the lease agreement with a strong counterparty mitigates the risk to a large extent, any delays in rental payments or vacancy can adversely impact ULPPL's cash flow position.

Geographical and asset concentration risks – IndoSpace Mewa is the single property undertaken by ULPPL. Thus, it is exposed to high geographical and asset concentration risks inherent in single-project companies.

Exposure to interest rate risk – The debt coverage ratios remain vulnerable to any changes in interest rates on the existing loans availed by the company.

Liquidity position: Adequate

The company's liquidity position is adequate with liquid investments and unencumbered cash balance of Rs. 4.8 crore as on March 31, 2024. Its cash flow from operations are expected to be sufficient to meet its scheduled LRD debt obligations of Rs. 9.5 crore (principal and interest) in FY2025.

Rating sensitivities

Positive factors – The rating may be upgraded in case of a significant increase in rental income and/or material decline in debt levels leading to improvement in debt protection metrics. Specific credit metric for a rating upgrade would be five-year average DSCR of greater than 1.30 times on a sustained basis.

Negative factors – The rating may be downgraded in case of any vacancy or increase in indebtedness leading to weakening of debt protection metrics.

Analytical approach

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

About the company

Unnati Logistics Park Private Limited is developing an integrated industrial and logistic park in Mevalurkuppam, in Kancheepuram district on a 15.3-acres land with a total leasable area of 3.80 lakh sq ft. ULPPL is promoted by ILP III Ventures

VII Pte. Ltd. (a part of the IndoSpace network), which holds 100% stake in the company. ILP III Ventures VII Pte. Ltd is further promoted by Realterm Global, Everstone Capital and GLP Global. The project was completed in November 2023.

Key financial indicators (audited)

Standalone	FY2023	FY2024*
Operating income	6.5	7.7
PAT	0.8	0.0
OPBDIT/OI	81.9%	79.0%
PAT/OI	13.0%	-0.4%
Total outside liabilities/Tangible net worth (times)	4.6	5.7
Total debt/OPBDIT (times)	17.3	19.0
Interest coverage (times)	2.4	1.3

Source: Company, ICRA Research; * Provisional numbers; 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 Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				June 24, 2024	July 28, 2023	June 28, 2022	May 21, 2021	
1 Term loans	Long Term	67.00	66.5	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	
2 Bank guarantee	Long Term	2.00	-	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	
3 Letter of credit (Sublimit of term loan)	Long Term	(10.00)	-	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Stable)	[ICRA]BBB (Stable)	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Bank guarantee	Very Simple
Letter of credit (Sublimit of term loan)	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](https://www.icra.in)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Jan 2020	NA	Dec 2033	67.0	[ICRA]A- (Positive)
NA	Bank guarantee	-	NA	-	2.0	[ICRA]A- (Positive)
NA	Letter of credit (Sublimit of term loan)	-	NA	-	(10.0)	[ICRA]A- (Positive)

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

Anupama Reddy

+91 40 6939 6427

anupama.reddy@icraindia.com

Tushar Bharambe

+91 22 6169 3347

tushar.bharambe@icraindia.com

Chintan Chheda

+91 22 6169 3363

chintan.chheda@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



Branches



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