

December 27, 2024

IndoSpace Industrial Park Badli Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	298.50	298.50	[ICRA]BBB+(Stable); reaffirmed
Long-term – Fund-based – Lease rental discounting	231.09	231.09	[ICRA]A-(Stable); reaffirmed
Long-term – Non-fund based – Letter of credit#	(15.00)	(15.00)	[ICRA]BBB+(Stable); reaffirmed
Long-term – Non-fund based – Bank guarantee	15.00	15.00	[ICRA]BBB+(Stable); reaffirmed
Total	544.59	544.59	

#sublimit of Term Loans

*Instrument details are provided in Annexure-I

Rationale

The reaffirmed ratings factor in the favourable location of the Industrial and logistics park being developed by IndoSpace Industrial Park Badli Private Limited (IIPBPL), lease tie-ups for 68% (12 out of 19 blocks leased), rental commencement for 63% (11 out of 19 blocks leased) of the total leasable area as of September 2024, and the presence of reputed tenants for the leased area. The overall leasing increased to 68% as of September 2024 from 53% as of September 2023, backed by 0.5 msf of incremental lease tie-ups for the period. The company has refinanced a part of the construction finance (CF) debt with lease rental discounting (LRD) loans, based on rentals for seven leased blocks of the total leasable area. The rating of [ICRA]A- for the LRD facility notes the identified cash flows from operational blocks to service this facility, and along with the presence of ring-fencing structure prevents the commingling with other cash flow streams. The LRD facility has been availed at 5.7 times the annualised rent from the identified blocks and the 5-year average DSCR is projected to be adequate at 1.16-1.20 times during FY2025-FY2029.

Phase I of the project is spread across 14 blocks, with 2.5 msf of leasable area being completed and 86% leased as of September 2024. The project's Phase II is under construction, with the scheduled date for the commencement of commercial operations (DCCO) in December 2026. Phase II is being funded in a debt-to-equity ratio of 1.08:1 and the funding risk for this phase remains low as the entire debt is tied up and ~50% of the promoter's contribution has been infused as on September 30, 2024. The balance CF facility is likely to be converted to LRD as leasing tie-ups take place. At full occupancy, IIPBPL's leverage and coverage metrics are estimated to be comfortable with total external debt/annualised NOI of 4.4 – 4.6 times in FY2028 and a five-year average DSCR of 1.38-1.42 times for the FY2028-FY2032 period. The ratings continue to draw comfort from the strong business profile of the IndoSpace network with an established track record in the industrial, warehousing and logistics park business in India.

The ratings, however, are constrained by the project's exposure to execution risks, with 43% of the cost for Phase II is yet to be incurred as of September 2024. Nonetheless, given the extensive experience of the sponsor in the warehousing space, ICRA expects the construction to be completed within the scheduled DCCO without any material time and cost overruns. The ratings are constrained by market risks, with leases for 32% of the total area yet to be tied up and timely leasing for the balance area at adequate rental rates will remain a key rating monitorable. Nevertheless, ICRA derives comfort from the demonstrated ability and track record of the IndoSpace network to lease and execute projects on time. The company is exposed to high geographical and asset concentration risks inherent in single-project companies. Further, the debt coverage indicators remain vulnerable to the increase in interest rates and decline in occupancy levels.

The Stable outlook reflects ICRA's opinion that the company will complete the project within the scheduled DCCO and secure lease tie-ups at adequate rental rates for the balance area in a timely manner, resulting in adequate debt coverage metrics.

Key rating drivers and their description

Credit strengths

Favourable project location – The project is in Badli, Haryana. Haryana is one of India's leading states for industrial production and a location of choice for auto majors and auto component manufacturers. The project is located on MDR 123 (Jhajjar-Badli Road) and at ~8 km from the Delhi border, ~7 km from Kundali Manesar Palwal (KMP) Expressway, ~60 km from New Delhi airport and ~50 km from New Delhi Railway Station. Also, the National Capital Region (NCR) is one of the most preferred warehousing hubs in the country. Thus, the project location has been witnessing growing interest from third-party logistics (3PL), e-commerce, logistic companies in recent years.

Comfortable leverage and low funding risk – The project has two phases, with Phase I spread across 14 blocks. For Phase I, 2.5 msf of leasable area has been completed and 86% has been leased as of September 2024. Phase II of the project is under construction with the scheduled date for commencement of commercial operations (DCCO) in December 2026. The project's Phase II is being funded in a debt-to-equity ratio of 1.08:1 and the funding risk for this Phase remains low as the entire debt is tied up and ~50% of the promoter's contribution has been infused as on September 30, 2024. The balance CF facility is likely to be converted to LRD as leasing tie-ups take place. At full occupancy, IIPBPL's leverage and coverage metrics are estimated to be comfortable with total external debt/annualised NOI of 4.4 – 4.6 times in FY2028 and a five-year average DSCR of 1.38-1.42 times for the FY2028-FY2032 period.

Established track record and strong business profile of sponsor; financial flexibility from being part of a strong sponsor group - IIPBPL is promoted by ILP II Ventures XII Pte. Ltd, Singapore (part of the IndoSpace network). IndoSpace is sponsored by Realterm Global, Everstone Capital and GLP Global. Realterm Global has over 20 years of experience in developing industrial and logistics parks. At present, it manages assets worth over \$7 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, managing multiple asset classes, including real estate, private equity and infrastructure. It has over \$100 billion in assets under management (AUM) across the real estate and private equity segments. ICRA derives comfort from the exceptional financial flexibility of the network and its track record of honouring sponsor undertakings to lenders and infusion of funds into various special purpose vehicles (SPVs), whenever needed.

Credit challenges

Exposure to project execution risk for Phase II - The project is exposed to execution risks as 43% of the cost for Phase II is yet to be incurred as on September 30, 2024. Out of 5 blocks being developed under Phase II, the construction of 2 blocks is completed, 1 block is under construction and the construction of 2 blocks is yet to commence. Nonetheless, given the extensive experience of the sponsor in the warehousing space, ICRA expects the construction to be completed within the scheduled DCCO without any material time and cost overruns.

Exposed to market risks - IIPBPL remains exposed to market risk with leases for 32% of the total area yet to be tied up as of September 2024. The company has completed the construction of sixteen units with a leasable area of 29.5 lakh sq. ft. (84% of the total leasable area) and has started receiving rentals for 22.1 lakh sq. ft. (63% of the leasable area) as on date. Timely leasing for the balance area at adequate rental rates remains a key rating monitorable. Nevertheless, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to lease and execute projects on time.

Geographical and asset concentration risks - IIPBPL is exposed to high geographical and asset concentration risks inherent in single-project companies.

Liquidity position: Adequate

The company's liquidity position is adequate. As of September 2024, the company had free cash balances of Rs. 47.9 crore and DSRA of Rs. 11.1 crore. The undrawn CF loan of Rs. 66.6 crore and pending equity commitments are sufficient to fund the balance Phase II project cost of Rs. 108.4 crore. The cash flow from operations of the leased blocks is sufficient for servicing the LRD debt obligations. Additionally, the project is expected to generate adequate cash flow from operations to service its debt servicing obligations, supported by timely tie-ups of leases and commencement of rentals for the remaining area.

Rating sensitivities

For the [ICRA]A- rating

Positive factors – ICRA could upgrade the rating if there is a significant increase in the rental income, resulting in healthy leverage and debt coverage indicators, with a five-year average DSCR of greater than 1.3 times on a sustained basis.

Negative factors – Pressure on the rating could arise if there is any material reduction in occupancy, or a significant increase in indebtedness, leading to moderation in leverage and coverage metrics.

For [ICRA]BBB+ rating

Positive factors – Timely completion of the project without any major cost overruns, along with a material ramp-up in leasing at adequate rental rates, resulting in adequate cash flow generation and debt coverage could result in a rating upgrade. Specific credit metrics for an upgrade would be the company achieving leasing progress of above 85% (of the leasable area of 3.5 msf).

Negative factors – Cost overruns or unforeseen delays in the completion of the project could exert pressure on the rating. Delays in achieving lease tie-ups at adequate rental rates or additional indebtedness leading to weakening of leverage and debt coverage metrics could trigger a rating downgrade.

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

IndoSpace Industrial Park Badli Private Limited (IIPBPL) is developing an industrial, warehousing and logistic park at Badli, Haryana, spread over 153 acres of land, with a total leasable area of 35.0 lakh sq. ft. across 19 units. Phase I has 14 blocks, comprising 25.9 lakh sq. ft. and Phase II has 5 blocks comprising 9.1 lakh sq. ft. It is promoted by ILP II Ventures XII Pte. Ltd., part of the IndoSpace network, which holds a 100% stake in the company. The construction of Phase I is completed, and Phase II has a scheduled commercial operation date of December 31, 2026.

Key financial indicators (audited)

IIPBPL	FY2023	FY2024
Operating income	39.5	51.6
PAT	-22.6	-26.5
OPBDIT/OI	80.8%	84.6%
PAT/OI	-57.3%	-51.3%
Total outside liabilities/Tangible net worth (times)	6.6	10.6
Total debt/OPBDIT (times)	18.1	15.6
Interest coverage (times)	0.9	0.9

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

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)	Chronology of rating history for the past 3 years								
			Current (FY2025)			FY2024		FY2023		FY2022	
			Dec 27, 2024	Date	Rating	Date	Rating	Date	Rating		
Term loans	Long Term	298.50	[ICRA]BBB+ (Stable)	20-Sep-23	[ICRA]BBB+ (Stable)	15-Jul-22	[ICRA]BBB+ (Stable)	26-May-21	[ICRA]BBB (Stable)		
Lease rental discounting	Long Term	231.09	[ICRA]A- (Stable)	20-Sep-23	[ICRA]A- (Stable)	15-Jul-22	[ICRA]A- (Stable)	26-May-21	[ICRA]BBB + (Stable)		
Letter of credit (Sublimit of term loans)	Long Term	(15.00)	[ICRA]BBB+ (Stable)	20-Sep-23	[ICRA]BBB+ (Stable)	15-Jul-22	[ICRA]BBB+ (Stable)	26-May-21	[ICRA]BBB (Stable)		
Bank guarantee	Long Term	15.00	[ICRA]BBB+ (Stable)	20-Sep-23	[ICRA]BBB+ (Stable)	15-Jul-22	[ICRA]BBB+ (Stable)	26-May-21	[ICRA]BBB (Stable)		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund-based - Term Loans	Simple
Long-term - Fund-based - Lease rental discounting	Simple
Long term - Non-Fund Based -Letter of credit (sublimit of term loans)	Very simple
Long term - Non-Fund Based -Bank guarantee	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](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans (CF)	June 2019	NA	FY2037	298.50	[ICRA]BBB+ (Stable)
NA	Lease rental discounting	July 2020	NA	FY2033	231.09	[ICRA]A- (Stable)
NA	Letter of Credit (Sublimit of term loans)	NA	NA	NA	(15.00)	[ICRA]BBB+ (Stable)
NA	Bank Guarantee	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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