

January 17, 2025

IndoSpace MET Logistics Park Farukhnagar Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	191.00	191.00	[ICRA]BBB+ (Stable); reaffirmed
Total	191.00	191.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for IndoSpace MET Logistics Park Farukhnagar Private Limited (IMLPFPL) factors in the favourable location of the park at Farukhnagar, Gurgaon, the low leverage as well as adequate debt coverage metrics estimated for the project. IMLPFPL, a special purpose vehicle (SPV) sponsored by the IndoSpace network¹ (IndoSpace; holds a 74% stake in IMLPFPL) and Model Economic Township Limited (METL, a Reliance Group company; holds a 26% stake in IMLPFPL), is developing an industrial and logistics park at Farukhnagar, in Gurgaon, Haryana, with a total leasable area of 1.4 million square feet (msf), spread across five warehouse units. The project is favourably located with good connectivity to Delhi and other adjacent industrial as well as warehousing hubs. The project is proposed to be funded in debt-to-equity ratio of 0.99:1. The funding risk remains low, given that the entire debt requirement has been tied up and 77% of the committed equity requirement has already been infused as of September 2024. The rating draws comfort from the strong business profile of the IndoSpace Group with an established track record in the industrial, warehousing and logistics park business in India.

The rating is, however, constrained by the project's exposure to market risk as 72% of the overall area is yet to be leased as of September 2024. While the company is in discussions with prospective tenants, its ability to achieve timely leasing and at adequate rental rates will be the key rating monitorable. However, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to lease projects. IMLPFPL is exposed to execution risk as about 28% of the total project cost is yet to be incurred as of September 2024. Once the company achieves adequate leasing for completed capex, it will incur the balance capex. Accordingly, the DCCO has been extended by two years to August 2026 with a consequent shift in the commencement of principal repayments to March 2027. Nonetheless, given the extensive experience of the Indospace Group in the warehousing space, ICRA expects the construction to be completed within the revised DCCO and without any material cost overruns. The company is also vulnerable to high geographical and asset concentration risks inherent in a single project portfolio.

The Stable outlook reflects ICRA's opinion that the company will complete the project within the revised 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 located at Farukhnagar, Gurgaon, Haryana. The site is 1.4 km off the State Highway 15A (Jhajjar, Gurugram Road; SH 15A), 16 km from Kundali-Manesar-Palwal Expressway (KMP) exchanges at Farukhnagar and Badli, and 36 km from Bilaspur Chowk. This location has high potential as a logistics hub for regional and national distribution for 3PL, consumer goods, automotive and e-commerce companies.

¹ ILP III Ventures XXIX Pte. Ltd., Singapore (part of the IndoSpace network, which is sponsored by Realterm Global, Everstone Capital and GLP Global)

Strong track record and business profile of sponsors – IMLPFPL is promoted by ILP III Ventures XXIX Pte. Ltd (part of the IndoSpace network) and Model Economic Township Limited (METL, a Reliance Group company). IndoSpace is sponsored by Realterm Global, Everstone Capital and GLP Global. Realterm Global, at present, manages assets worth over USD 7 billion. Everstone Capital manages funds of over USD 5 billion in private equity and real estate. GLP Global is an investment firm and has over USD 100 billion in assets under management (AUM) across the real estate and private equity segments. METL is a wholly-owned subsidiary of Reliance Ventures Limited, which is a 100% subsidiary of Reliance Industries Limited. METL is involved in the development of Model Economic Township (MET), in Jhajjar district, Haryana.

Low leverage and funding risk – The project’s funding risk is low as the entire debt requirement has been tied up and 77% of the equity requirement has already been infused as of September 2024. The budgeted project cost of Rs. 383.6 crore is estimated to be funded by a debt-to-equity ratio of 0.99:1. The project’s leverage is likely to be low, and the debt coverage metrics are expected to be adequate.

Credit challenges

Exposure to market risk – The company is exposed to market risk with 72% of the overall area yet to be leased as of September 2024. While IMLPFPL is in discussions with prospective tenants, its ability to achieve timely leasing and at adequate rental rates will be the key rating monitorable. However, ICRA derives comfort from the demonstrated ability and track record of IndoSpace to lease projects.

Exposure to project execution risk – As of September 2024, two out of five blocks were under construction and 28% of the total project cost was yet to be incurred exposing the company to execution risk. Once IMLPFPL achieves adequate leasing for the completed capex, it will incur balance capex. Accordingly, the DCCO has been extended by two years to August 2026 with a consequent shift in the commencement of principal repayments to March 2027. Nonetheless, given the extensive experience of the Indospace Group in the warehousing space, ICRA expects the construction to be completed within the revised DCCO and without any material cost overruns.

Geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks inherent in single project companies.

Liquidity position: Adequate

The company’s liquidity position is adequate with Rs. 16.8 crore of cash and liquid investments and Rs. 41.9 crore of undrawn bank limits, as on September 30, 2024, which along with the balance equity commitments and internal accruals will be adequate to fund the pending project cost of Rs. 108.1 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company achieves significant progress in leasing at adequate rental rates resulting in healthy debt protection metrics.

Negative factors – Material delays in tying up leases at adequate rental rates leading to weakening of debt protection metrics may warrant 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 MET Logistics Park Farukhnagar Private Limited (IMLPFPL) is a 74:26 joint venture between M/s. ILP III Ventures XXIX Pte. Ltd., Singapore and Model Economic Township Limited (METL), a Reliance Group company. IMLPFPL is setting up a Grade-A industrial and warehousing park on a land of 55.14 acres at Farukhnagar, in Gurgaon, Haryana. The park will have a total leasable area of 1.4 msf, spread across five warehouses.

Key financial indicators: Not applicable for a project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	Jan 17,2025	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	191.00	[ICRA]BBB+ (Stable)	06-OCT-2023	[ICRA]BBB+ (Stable)	23-SEP-2022	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
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 loans	March 28, 2022	-	FY2036	191.00	[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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