

February 28, 2025^(Revised)

IndoSpace AS Industrial Park Private Limited: Rating reaffirmed for NCD and assigned for bank facilities

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debenture (NCD)	197.87	197.87	[ICRA]AAA (Stable); Reaffirmed
Long-term – Fund-based – Term loans	0.00	222.00	[ICRA]AAA (Stable); Assigned
Total	197.87	419.87	

*Instrument details are provided in Annexure I

Rationale

The rating is based on the consolidated view of the restricted group of 22 special purpose vehicles (SPVs), together referred as IndoSpace Core. IndoSpace Core comprises 17 completed industrial and logistic parks, housed under 22 SPVs of the restricted group, with a leasable area of 14.1 million square feet (msf) as on September 30, 2024. IndoSpace Core has a policy of acquiring only stable rent-yielding assets. The SPVs are fully owned by the same ultimate holding company, IndoSpace Logistics Parks Core Pte Ltd. The debt structure for the rated instruments derives comfort from the contractual surplus sharing mechanism among the 22 SPVs of the restricted group with a well-defined, pre-default invocation mechanism. Further, there exists cross default clause and cross-collateralisation across the 22 SPVs.

The surplus cash available with any restricted group issuer after meeting their operations and maintenance (O&M) costs and debt obligations will be made available to the other restricted group issuers for meeting shortfall, if any, at least two business days prior to the due date. In case the IndoSpace issuers having surplus cash in their respective accounts above fail to transfer such monies as specified above, the security trustee shall instruct the Escrow Bank (without requirement of any prior notice to any member of the restricted group) to release amounts equivalent to the insufficiency in the amounts outstanding of such IndoSpace issuer from the accounts of the other IndoSpace issuers having surplus cash in their respective accounts and into the designated collection account of such IndoSpace issuer, at least one business day prior to the due date.

The rating reaffirmation reflects diversified portfolio of operational warehouse assets across region in India, healthy occupancy level of 97% as on September 30, 2024 (98% as on July 31, 2023), the robust financial risk profile of IndoSpace Core, supported by its strong liquidity and low leverage with a loan to asset value (LTV) of 25% as on September 30, 2024, and expected Debt/NOI of 3.9-4.0 times (after providing some equity credit to the CCDs) as of March 2025 for the current consolidated assets. The assets under IndoSpace Core have a consolidated leasable area of 14.1 msf, spread across Bengaluru, Chennai, Hyderabad, NCR, and Pune. The occupancy and collections have largely remained resilient led by healthy demand from third-party logistics (3PL), e-commerce and automotive segments. The tenant profile remains diversified with the top 10 tenants accounted for 47% of the gross rentals. The consolidated assets reported 9% growth in net operating income (NOI) in FY2024 to Rs. 377.7 crore, aided by addition of four new assets to core platform in FY2024. ICRA estimates the NOI to grow further by 9-10% in FY2025, driven by expected increase in rental rates as per scheduled escalations present in rental agreements and sustenance of strong occupancy levels. The ratings favourably factor in the IndoSpace Group's proven track record in the industrial and logistics parks segment, IndoSpace Core's robust business profile, supported by the strategically diversified portfolio of the completed Grade A industrial and logistics parks, strong occupancy levels and diversified tenant mix for the consolidated assets.

In March 2024-June 2024 period, IndoSpace Core reduced its capital by Rs. 889.3 crore, which was funded by Rs. 669.0-crore LRD debt and the balance Rs. 220.3 crore is funded through available liquidity and internal accruals. This resulted in increase in consolidated debt for 22 SPVs to Rs. 1,720.8 crore (comprising external debt of Rs. 1,464.7 crore and compulsory convertible debentures¹ of Rs. 256.1 crore) as on September 30, 2024, from Rs. 1,087.9 crore as on September 30, 2023. The rating is supported by the presence of strong sponsors, Canada Pension Plan Investment Board (CPPIB) and GLP Global, which along with low leverage provide exceptional financial flexibility. ICRA is given to understand that the sponsors are willing to provide required support, should a need arise.

The rating, however, remains exposed to risks related to variation in interest rates and vulnerability of the portfolio to lease expiry and market risks. The projected debt coverage metrics for the current pool of 17 assets are expected to remain comfortable with 5-year average DSCR of 1.4-1.5 times during FY2025 to FY2029, given the amortised repayment schedule for LRD loans with repayments ending in FY2036. However, the restricted group SPVs face refinancing risk for 80% of NCD amount, which has a bullet repayment at the end of its 5-years tenor in FY2029. The refinancing risk is mitigated to an extent by the exceptional financial flexibility available to the IndoSpace Core fund. Further, the assets face vacancy risk with around 15-17% and 19-21% of the total area, on a consolidated basis, are due for renewal in FY2026 and FY2027, respectively. Nonetheless, IndoSpace network's established relationship with reputed tenants and its demonstrated track record of renewal/addition of leases offers comfort. ICRA notes that the IndoSpace Core platform is planning acquisition of 7 additional operational assets with a leasable area of 8.4 msf. The evaluation of these assets is currently underway. The funding pattern and incremental debt addition on account of these acquisition will remain a key monitorable.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that IndoSpace Core will benefit from the well-diversified portfolio of assets, with healthy occupancy levels, which will enable it to maintain comfortable debt protection metrics. ICRA expects the restricted group issuers to adhere to the debt structure, thereby enabling the cash pooling and pre-default contractual surplus sharing mechanism, in case of need arises.

Key rating drivers and their description

Credit strengths

Well-diversified portfolio with reputed tenant profile; established track record of sponsors – The current consolidated asset portfolio of IndoSpace Core has 17 completed industrial and logistic parks (housed under 22 SPVs), which includes completed area of 14.1 msf as on September 30, 2024. The SPVs are fully owned by the same ultimate holding company, IndoSpace Logistics Parks Core Pte Ltd. The completed area reported healthy committed occupancy of 97% as on September 30, 2024 (98% as on July 31, 2023). The consolidated assets are spread across five key markets of India – Bengaluru, Chennai, Hyderabad, NCR, and Pune and have a diversified as well as reputed tenant mix with top 10 tenants contributing to 47% of the gross rentals as on September 30, 2024.

The IndoSpace network is one of India's leading developers of industrial and warehousing parks. It develops industrial and logistics parks for leading players across various sectors including automobiles, e-commerce, FMCG, third-party logistics and manufacturing, among others. At present, the network has 50 Grade A parks spread across the country. Overall, the network has an established track record of operating industrial and logistics parks in India, and its status as the investment manager for IndoSpace Core supports the business risk profile of the consolidated asset. Strong financial profile of the sponsors, CPPIB and GLP Global, provides financial flexibility to the consolidated assets.

Strong financial risk profile – As on September 30, 2024, the total consolidated debt of 22 SPVs was Rs. 1,720.8 crore (comprising external debt of Rs. 1,464.7 crore and compulsory convertible debenture of Rs. 256.1 crore). The external debt

¹ CCDs are expected be subordinated to the NCDs and LRDs. Interest pay-outs on CCDs are permissible subject to debenture holder/lenders approval, post meeting the debt servicing obligations on the NCDs, LRDs and no Event of Default subsisting.

translates into a low LTV of 25% as on September 30, 2024, and the estimated leverage is comfortable with Debt/NOI of 3.9-4.0 times (after providing some equity credit to the CCDs) as of March 2025, on a consolidated basis. The strong sponsors and low leverage provide exceptional financial flexibility. The presence of DSRA equivalent to three months debt obligations and escrow mechanism prioritising debt servicing provide comfort against any short-term liquidity mismatch. Additionally, the cash flow fungibility across the assets, due to the cross-collateralised structure, lends strength to the financial risk profile.

Credit profile supported by conservative leverage policy and surplus sharing arrangement within restricted group – The credit profile of IndoSpace Core is expected to be supported by the management’s conservative leverage policy. Additionally, all the 22 SPVs have a pre-default surplus sharing arrangement with the flexibility to extend the surpluses to any other SPV, which could be utilised for debt servicing of the other SPVs, should a need arise.

Credit challenges

Exposed to refinancing risk – The NCD debt structure has a door-to-door tenure of five years, wherein 80% of the debt has to be paid as bullet repayment in FY2029. This debt structure exposes the SPVs to refinancing risk. The refinancing risk is mitigated to an extent by the exceptional financial flexibility available to the IndoSpace Core fund.

Cash flows susceptible to lease expiry risks and interest rate risk – At a consolidated level, around 15-17% and 19-21% of the total area is due for renewal in FY2026 and FY2027, respectively. Nonetheless, the IndoSpace network’s established relationship with reputed tenants and its demonstrated track record of renewal/addition of leases offer comfort. The SPVs remain exposed to interest rate risk on the NCDs, and LRDs availed for each of their respective assets. However, ICRA notes that the projected debt coverage metrics are expected to remain robust.

Liquidity position: Strong

At a consolidated level, the estimated cash flow from operations are comfortable to meet the principal repayments of Rs. 48.6 crore in FY2025 and Rs. 75.3 crore in FY2026. As on September 30, 2024, the consolidated assets had a free cash and bank balance of Rs. 241.9 crore and DSRA of Rs. 50.4 crore.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Any material decline in occupancy or rentals, and/or non-adherence to the debt structure adversely affecting the company’s credit metrics could exert pressure on the rating. Any large debt-funded acquisition, which increases the indebtedness leading to Debt/NOI to above 4 times, on sustained basis, at the consolidated level could result in 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	For arriving at the rating, ICRA has taken a consolidated view of the 22 SPVs, which are a part of the restricted group (as mentioned in Annexure II). All the 22 SPVs of the restricted group have common lenders and the debt availed by them has a cash flow pooling mechanism, well-defined pre-default contractual surplus arrangement with presence of cross default clauses.

About the company

Incorporated in 2010, IndoSpace AS Industrial Park Private Limited is a wholly owned step-down subsidiary of IndoSpace Logistics Parks Core Pte. Ltd. The company operates logistics and Industrial parks named Chakan-II (with total leasable area of 9.85 lakh sq. ft., and committed occupancy of 100% as on October 31, 2024, located in Chakan, Pune), Polivakkam (with total leasable area of 9.88 lakh sq. ft., and committed occupancy of 96% as on October 31, 2024, located in Chennai), Puduvoyal (with total leasable area of 3.01 lakh sq. ft., and committed occupancy of 100% as on October 31, 2024 located in Chennai) and Vallam (with total leasable area of 8.83 lakh sq. ft., and committed occupancy of 94% as on September 30, 2024, located in Chennai).

IndoSpace Logistics Parks Core Pte. Ltd. (IndoSpace Core) is a JV between Everstone-backed real estate developer and warehousing and logistics specialist IndoSpace (2% stake), CPPIB (93% stake) and global investment fund manager GLP (5% stake). The current asset portfolio of IndoSpace Core has 17 completed industrial and logistic parks (housed under 22 SPVs) with a leasable area of 14.1 msf. The completed area enjoys healthy committed occupancy of 97% as on September 30, 2024. The consolidated assets are spread across five key markets of India – Bengaluru, Chennai, Hyderabad, NCR, and Pune.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	394.8	473.3
PAT	89.8	101.8
OPBDIT/OI	81.5%	76.1%
PAT/OI	22.7%	21.5%
Total outside liabilities/Tangible net worth (times)	1.1	1.5
Total debt/OPBDIT (times)	2.5	3.2
Interest coverage (times)	3.8	3.0

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: For the entire NCDs and bank loans availed by IndoSpace Core, the company faces the risk of debt acceleration due to put option (put option at the end of 25th month from the date of first disbursement with 30-days' notice). Upon exercising the put option, if the company is unable to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

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)	Feb 28, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Term Loans	Long Term	222.00	[ICRA]AAA (Stable)	-	-	-	-	-	-
Non-convertible debenture	Long Term	197.87	[ICRA]AAA (Stable)	30-OCT-2023	Provisional [ICRA]AAA (Stable)	-	-	-	-
		-	-	06-FEB-2024	[ICRA]AAA (Stable)	-	-	-	-
Fund based – Term Loans	Long Term	-	-	30-OCT-2023	[ICRA]AAA (Stable); Withdrawn	07-DEC-2022	[ICRA]AAA (Stable)	05-OCT-2021	[ICRA]AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debenture	Simple
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
INE946W07017	NCD	November 10, 2023	8.10%	September 28, 2028	197.87	[ICRA]AAA (Stable)
NA	Term loans	May 2024	NA	June 2035	222.00	[ICRA]AAA (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

Company Name	Ownership*	Consolidation Approach
Indospace Bommasandra Logistics Park Private Limited	100.0%	Full Consolidation
Destination Industrial Parks Private Limited	100.0%	Full Consolidation
IndoSpace Park Chakan 1A Private Limited	100.0%	Full Consolidation
IndoSpace Park Chakan 1C Private Limited	100.0%	Full Consolidation
IndoSpace Park Chakan 1D Private Limited	100.0%	Full Consolidation
IndoSpace Park Chakan 1B Private Limited	100.0%	Full Consolidation
Indospace Park Chakan 1 Phase 2B Private Limited	100.0%	Full Consolidation
Indospace Park Chakan 1 Phase 2A Private limited	100.0%	Full Consolidation
Ambition Logistics Park Private Limited	100.0%	Full Consolidation
IndoSpace Industrial Park Pune Private Limited	100.0%	Full Consolidation
Suyog Logistics Park Private Limited	100.0%	Full Consolidation
IndoSpace FWS Industrial Park Private Limited	100.0%	Full Consolidation
HCY Warehousing Private Limited	100.0%	Full Consolidation
HCY Industrial Parks Private Limited	100.0%	Full Consolidation
IndoSpace SKCL Industrial Park Oragadam Private Limited	100.0%	Full Consolidation
IndoSpace Industrial Parks Private Limited	100.0%	Full Consolidation
IndoSpace SKCL Industrial Park Private Limited	100.0%	Full Consolidation
IndoSpace AS Industrial Park Private Limited	100.0%	Full Consolidation
Indospace Ind. Park Oragadam Walajabad Private Limited	100.0%	Full Consolidation
Indospace Walajabad II Private Limited	100.0%	Full Consolidation
Indospace Park Shamshabad Limited	100.0%	Full Consolidation
Indospace Industrial Park Panruti Private Limited	100.0%	Full Consolidation

*% Ownership of IndoSpace Logistics Park Core Pte. Ltd. in terms of shareholding in respective entities as on September 30, 2024

Corrigendum

Rationale dated February 28, 2025, has been revised with addition of coupon rate in Annexure-I for Non-convertible debenture

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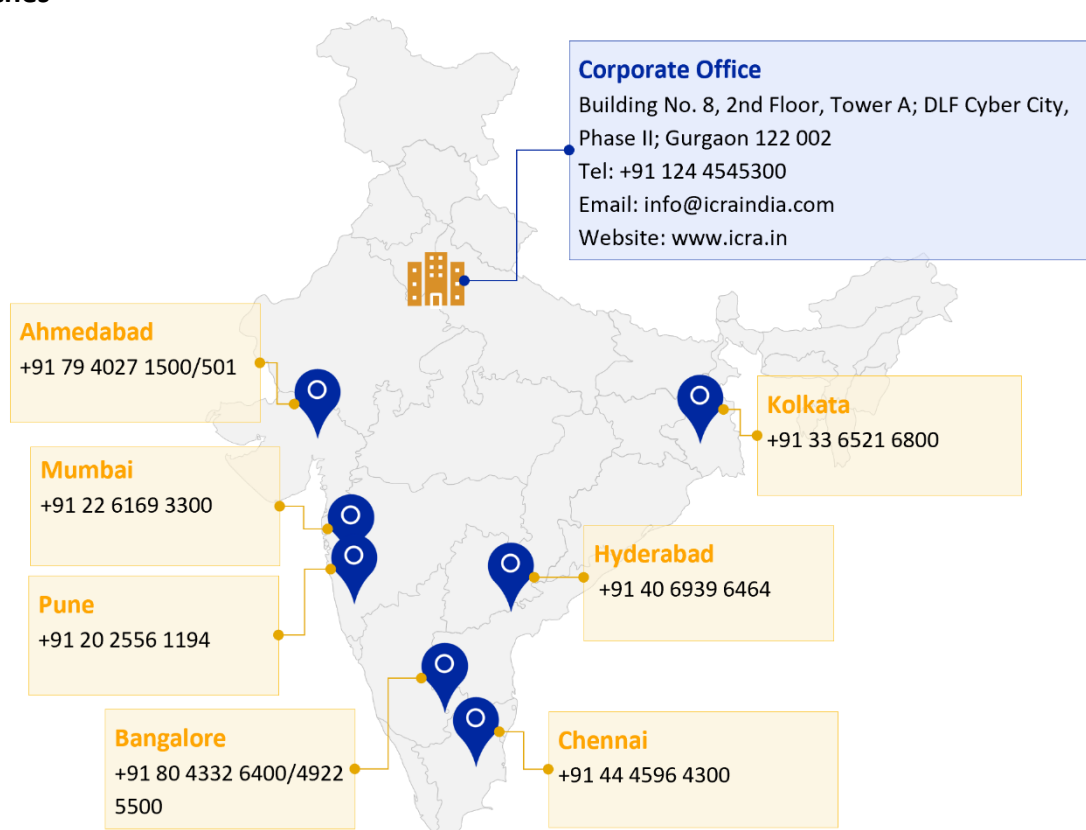
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