March 13, 2025

Rathik Industrial & Logistics Park 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	76.45	76.45	[ICRA]BBB+ (Positive); reaffirmed
Short-term – Non-fund based – Letter of credit#	(5.00)	(5.00)	[ICRA]A2; reaffirmed
Short-term – Non-fund based – Bank guarantee	5.00	5.00	[ICRA]A2; reaffirmed
Total	**81.45**	**81.45**	

**Instrument details are provided in Annexure I; # Letter of Credit is a sub limit of Term Loans*

Rationale

The reaffirmation of ratings for Rathik Industrial & Logistics Park Private Limited (RILPPL) factors in the favourable location and operational track record of ~1 year for 63% of the total leasable area (0.3 million square feet or msf), along with comfortable leverage and low funding risk for the ongoing under construction area. The industrial and logistics park is in Kunnam village, Kanchipuram district, Sriperumbudur, Chennai, with a total leasable area of 0.5 msf, spread across four warehouse units and it is favourably located with good connectivity to the Oragadam cluster and other adjacent industrial as well as warehousing hubs. The budgeted project cost of Rs. 139.0 crore is estimated to be funded by a debt-to-equity ratio of 1.22:1. Further, the funding risk remains low, as the entire debt requirement has been tied up and 100% of the committed equity requirement has been infused as of December 2024. The ratings 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 Positive outlook reflects ICRA's opinion that the company is likely to complete the project within the scheduled DCCO and secure lease tie-ups for the balance area at adequate rental rates in a timely manner. ICRA expects comfortable leverage and adequate debt coverage indicators, post completion of the project.

The ratings are, however, constrained by the project's exposure to residual execution risk as about 17% of the total project cost is yet to be incurred as on December 2024, against DCCO[1] of January 01, 2026. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun, given the extensive experience of the sponsor in the warehousing space. The project is 63% leased as of December 2024, exposing the company to market risk for the balance area. However, it is in the advanced stages of discussion with prospective tenants for 0.1 msf of area. Further, the company is exposed to refinancing risk for the construction finance (CF) loan, which has two bullet repayments for 10% and 90% of the facility in June 2026 and June 2027, respectively. Nevertheless, the relatively low leverage in the project resulting in overall moderate break-even occupancy, lower incremental leasing required in 1 year, the sponsor's leasing track record and exceptional financial flexibility mitigate the refinancing risk to an extent. The company is also vulnerable to high geographical and asset concentration risks inherent in a single project portfolio.

[1] *DCCO: Date of commencement of commercial operations*

Key rating drivers and their description

Credit strengths

Favourable project location; commencement of rentals for 63% of leasable area – The project, which is an industrial and logistics park, is in Kunnam village, Kanchipuram district, Sriperumbudur, Chennai, with a total leasable area of 0.5 msf, spread across four warehouse units and it is favourably located with good connectivity to the Oragadam cluster and other adjacent industrial as well as warehousing hubs. The rentals for 63% of the total leasable area (Block B200) have commenced from February 2024.

Comfortable leverage and low funding risk – The project's funding risk is low as the entire debt requirement has been tied up and 100% of the equity requirement has already been infused as of December 2024. The budgeted project cost of Rs. 139.0 crore is estimated to be funded by a debt-to-equity ratio of 1.22:1. ICRA derives comfort from the comfortable leverage and the adequate debt service coverage ratio (DSCR) estimated from the project. The rated CF facility requires maintaining a DSRA equivalent to three months of interest repayment obligation during the entire loan tenure.

Established track record and strong business profile of sponsor – Rathik Industrial & Logistics Park Private Limited is promoted by ILP III Ventures XVII Pte Ltd. (part of the IndoSpace network). IndoSpace 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 across the world. At present, it manages assets worth over $7 billion. It 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. 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 assets under management (AUM) across the real estate and private equity segments.

Credit challenges

Exposure to refinancing risk – The repayment of the existing CF facility is due in two bullet instalments of 10% and 90% of the total sanctioned limit in June 2026 and June 2027, respectively. Any delays in construction or inadequate leasing may adversely impact its refinancing ability. However, the relatively low leverage in the project resulting in overall moderate break-even occupancy, lower incremental leasing required in 1 year, the sponsor's leasing track record and exceptional financial flexibility mitigate the refinancing risk to an extent.

Exposure to residual execution and market risks – The project is exposed to residual execution risk as about 17% of the budgeted total project cost is yet to be incurred as of December 2024, against DCCO of January 01, 2026. It has a total leasable area of 0.5 msf spread over four units, out of which one unit is completed, and two units are under construction as of December 2024. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun, given the extensive experience of the sponsor in the warehousing space. The project is 63% leased as of December 2024, exposing the company to market risk for the balance area. However, it is in the advanced stages of discussion with prospective tenants for 0.1 msf of area.

Geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks inherent in single project companies. However, ICRA draws comfort from IndoSpace's diverse portfolio of logistics and industrial parks, including developed and under-development parks, across India.

Liquidity position: Adequate

The company's liquidity position is adequate with Rs. 6.5 crore of cash and liquid investments as of December 2024. The undrawn construction finance loan of Rs. 14.5 crore as of December 2024, along with security deposits from the tenants, internal accruals and current free cash/liquid investments will be adequate to fund the pending project cost of Rs. 21.3 crore.

Rating sensitivities

Positive factors – Tie-up of leases for the balance blocks at adequate rental rates and improvement in the debt coverage metrics, with five-year average DSCR of greater than 1.2 times, on a sustained basis, may trigger a rating upgrade.

Negative factors – Considerable delays in tying up balance lease at adequate rental rates or any significant increase in indebtedness impacting the debt protection metrics may warrant a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Rathik Industrial & Logistics Park Private Limited is developing an industrial and logistic park located in Kunnam village on SH-120, Kanchipuram district, Sriperumbudur, Chennai. The project is being developed on a land parcel admeasuring 24.5 acres, with a total leasable area of 0.5 msf.

Key financial indicators (audited) - Not applicable for a project company

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)	FY2025	FY2024	FY2023	FY2022
				Mar 13, 2025	Mar 21, 2024	Jan 04, 2023	-
1	**Term loans**	Long-term	76.45	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	-
2	**Letter of credit#**	Short-term	(5.00)	[ICRA]A2	[ICRA]A2	[ICRA]A2	-
3	**Bank guarantee**	Short-term	5.00	[ICRA]A2	[ICRA]A2	[ICRA]A2	-

 # Letter of Credit is a sub limit of Term Loans

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based - Term loans	Simple
Short-term – Non-fund based – Letter of credit	Very Simple
Short-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**	July 19, 2022	NA	FY2028	76.45	[ICRA]BBB+ (Positive)
NA	**Letter of credit#**	-	-	-	(5.00)	[ICRA]A2
NA	**Bank guarantee**	-	-	-	5.00	[ICRA]A2

Source: Company; # Letter of Credit is a sub limit of Term Loans

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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