

January 04, 2023

Rathik Industrial & Logistics Park Private Limited: [ICRA]BBB+ (Stable)/[ICRA]A2 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based - Term Loans	76.45	[ICRA]BBB+ (Stable); assigned
Short-term – Non-fund based – Letter of Credit [#]	(5.00)	[ICRA]A2; assigned
Short-term – Non-fund based – Bank Guarantee	5.00	[ICRA]A2; assigned
Total	81.45	

*Instrument details are provided in Annexure-I

Letter of Credit is a sub limit of Term Loans

Rationale

Rathik Industrial & Logistics Park Private Limited, a special purpose vehicle (SPV) sponsored by the IndoSpace network¹ (IndoSpace), is developing an industrial and logistics park in Kunnam Village, Kanchipuram District, Sriperumbudur, Chennai, with a total leasable area of 0.46 million square feet (msf), spread across four warehouse units. The assigned ratings reflect the favourable sponsor profile, along with the established track record of IndoSpace in the industrial warehousing and logistics space in India. The ratings draw comfort from the project's favourable location in the Oragadam micro market and good connectivity to Chennai and other adjacent industrial and warehousing hubs, along with the low leverage as well as adequate debt coverage metrics estimated from the project. Further, the funding risk remains low as the entire debt requirement has been tied up and nearly 65% of the committed equity requirement has already been infused as on September 30, 2022. ICRA notes the exceptional financial flexibility of IndoSpace and its track record of honouring the sponsor's undertakings to lenders by infusing funds into various SPVs, whenever needed. The rated facility has an escrow mechanism in place and requires maintaining a debt service reserve account (DSRA), equivalent to three months of interest repayment obligation during the entire loan tenure, which provides comfort against any short-term liquidity mismatch.

The ratings are, however, constrained by the project's exposure to execution and market risks. The project is at an intermediate stage, with 39% construction progress as on September 30, 2022. Nonetheless, the construction is expected to be completed within the scheduled date of commencement of commercial operations (DCCO) of January 01, 2026. The company is exposed to market risk as there are no pre-leasing tie-ups as on date. Hence, its ability to achieve leasing on time 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 and execute projects on time.

The Stable outlook reflects ICRA's opinion that the company will benefit from the extensive experience of its sponsor, IndoSpace, in the warehousing space, which is expected to enable it to complete the project without any material time and cost overruns as well as secure lease tie-ups.

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

Key rating drivers and their description

Credit strengths

Strong track record and business profile of sponsors – 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. At present, it manages assets worth over USD 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 USD 5 billion in private equity and real estate. GLP Global is an investment firm with over USD 60 billion assets under management (AUM) across the real estate and private equity segments.

Favourable project location – The project is located on a land parcel in Kunnam Village on SH-120, Kanchipuram District, Sriperumbudur, Chennai admeasuring about 23.24 acres. The proposed site is situated at approx. 12 kms from Walajabad Railway Station. Chennai CBD, Chennai Airport, Chennai Port are situated at approx. 53 kms, 45 kms and 56 kms, respectively. Oragadam is the largest industrial region in Chennai and remains a preferred location for setting up an industrial and logistics park because of its excellent manufacturing ecosystem with good connectivity to the port, airport and to the city of Chennai.

Low leverage and funding risk – The project's funding risk is low as the debt requirement has been tied up and 65% of the equity requirement has already been infused as on September 30, 2022. The budgeted project cost of Rs. 139.01 crore is estimated to be funded by a debt-to-equity ratio of 1.22:1. ICRA derives comfort from the low project leverage and the adequate debt service coverage ratio (DSCR) estimated from the project. The rated facility requires maintaining a DSRA equivalent to three months of interest repayment obligation during the entire loan tenure. The repayment of CF facility is due in two bullet instalments in June 2026 and June 2027.

Credit challenges

Exposure to project execution risk – The project is at an intermediate stage of execution, with 39% construction progress as on September 30, 2022. It has a total leasable area of 0.46 msf spread over four units, out of which one is under construction as on September 30, 2022. Nevertheless, ICRA expects the construction to be completed within the scheduled timeline without any material time and cost overrun, considering a DCCO of January 01, 2026, and the sponsor's extensive experience in the warehousing space.

Exposure to market risks – The pre-leasing tie-up is nil as on date. The company's ability to achieve leasing on time and at adequate rental rates will remain critical from the credit perspective. However, the experience of its promoter to lease projects on time, offers comfort.

Geographical and asset concentration risk – 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. 1.50-crore cash and liquid investments and Rs. 61.46-crore undrawn bank limits, as on September 30, 2022, which along with the balance equity commitments (including any internal accruals) will be adequate to fund the pending project cost of Rs. 85.23 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company achieves significant progress in leasing at adequate rental rates and the project progresses well without any major time and cost overruns.

Negative factors – Cost overrun or unforeseen delays in completing the project could exert pressure on the company’s ratings. Considerable delays in tying up leases and/or lower-than-expected rentals and/or delay in conversion of the construction finance (CF) loan into a lease rental discounting (LRD) loan may warrant a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Rathik Industrial & Logistics Park Private Limited is developing an industrial and logistic park on the land parcel located in Kunnam Village on SH-120, Kanchipuram District, Sriperumbudur, Chennai. The proposed project will be developed on a land parcel admeasuring 23.24 acres, with total built-up area of about 0.44 msf and leasable area of 0.46 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	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Jan 04, 2023	-	-	-
1 Fund-based - Term Loans	Long term	76.45	14.99	[ICRA]BBB+ (Stable)	-	-	-
2 Non-fund Based - Letter of Credit [#]	Short term	(5.00)	-	[ICRA]A2	-	-	-
3 Non-fund Based – Bank Guarantee	Short term	5.00	-	[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: 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 Loans	July 19, 2022	NA	FY 2028	76.45	[ICRA]BBB+ (Stable)
NA	Letter of Credit [#]	July 19, 2022	NA	FY 2028	(5.00)	[ICRA]A2
NA	Bank Guarantee	July 19, 2022	NA	FY 2028	5.00	[ICRA]A2

Source: Company data

[#] 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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Branches



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