

September 18, 2023

Volumnus Developers Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based - Term loan (CF)	250.00	250.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Fund-based - Term loan (LRD)	333.00	333.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Interchangeable – sublimit of CF	0.00	(100.00)	[ICRA]A+ (Stable); reaffirmed
Long-term – Interchangeable – Sublimit of LRD	(130.00)	(130.00)	[ICRA]A+ (Stable); reaffirmed
Long-term – Interchangeable – Sublimit of LRD	(15.00)	(15.00)	[ICRA]A+ (Stable); reaffirmed
Total	583.00	583.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in Volumnus Developers Private Limited's (VDPL) steady rental generation from Phase I and Phase II comprising 2.1 million square feet (msf) of area in Greenbase Industrial and Logistics Park (Park), at Oragadam, Tamil Nadu, backed by ~97% of leasing. It has completed the construction for 0.4 msf out of the total leasable area of 1.2 msf in Phase III, which is leased, and rentals have commenced for 0.34 msf during January – July 2023. The balance area in Phase III is expected to be completed by March 2026 and has a strong leasing pipeline. Overall, VDPL's scale of operations (including under-construction area) increased to 3.4 msf as of June 2023 from 2.6 msf as of June 2022. Backed by healthy leasing, it has refinanced the construction finance (CF) loan for Phase II into lease rental discounting (LRD) loan with a top up of Rs. 53 crore. While the company has sanction of Rs. 250 crore of CF loan in place for Phase III, the drawdown is expected to be lower as it will avail LRD loan of Rs. 110 crore against rentals of the completed Phase-III blocks, which will be partly utilised towards the pending construction. The debt levels are estimated to remain at around Rs. 350 – 360 crore as of March 2024 and Rs. 470 – 480 crore as of March 2025 against Rs. 232 crore as of March 2023. VDPL's financial risk profile is adequate, as reflected by estimated leverage (Net Debt/Net Operating Income) of 5.1 – 5.2 times as of March 2024 and March 2025, and debt coverage metrics with five-year average DSCR of 1.27-1.30 times during FY2024-FY2028. Further, the company is expected to maintain free cash and liquid investments of Rs. 40 crore, covering around 6-9 months of debt repayment obligations (principal + interest) over the medium term. The rating continues to favourably factor in the strong track record of the sponsors – the Hiranandani Group and the Blackstone Group – in the real estate space in India. The industrial and logistics park constructed by VDPL is well located in the Oragadam cluster, which enjoys good access to road infrastructure, as well as proximity to a large industrial set up developed by the State Industries Promotion Corporation of Tamil Nadu.

The rating is, however, constrained by exposure to residual execution risks as about 66% of the total project cost for Phase III is pending to be incurred as of March 2023. The pending cost for Phase III is estimated to be Rs. 276 crore, which is expected to be funded through Rs. 170 crore of CF, Rs. 80-crore LRD loan against the already leased blocks and the balance Rs. 26 crore through promoter contribution/internal accruals. The company expects the construction for Phase III to be completed by FY2026. It is also exposed to market risk for the under-construction blocks in Phase III with a total area of around 0.8 msf. However, the strong leasing pipeline mitigates the risk to a large extent. VDPL is exposed to tenant concentration risk, given ~57% of the total covered leasable area is leased to two tenants from the wind energy sector. However, the long tenure of the lease with the top tenant, along with investment towards fitouts undertaken by tenants, provides comfort on the tenant

stickiness towards the property. Nonetheless, any delays in rental payments or vacancy can adversely impact VDPL's cash flow position. The debt coverage ratios also remain vulnerable to any changes in interest rates. It is exposed to geographical and asset concentration risks, which are inherent in companies with single projects.

The Stable outlook reflects ICRA's opinion that VDPL will be able to generate stable cash flows from the existing lease tie-ups, continue to benefit from its favourable location, strong sponsors and maintain adequate leverage and debt coverage metrics.

Key rating drivers and their description

Credit strengths

Strong track record of sponsors – VDPL is a subsidiary of Juturna Developers Private Limited (JDPL), which is jointly owned by Cyprus Realtors LLP and BREP Asia II India Holding Co I (NQ) Pte. Ltd. Cyprus Realtors LLP is promoted by Mr. Niranjana and Mrs. Kamal Hiranandani (of the Hiranandani Group), while BREP Asia II India Holding Co I (NQ) Pte. Ltd is sponsored by the Blackstone Group. The Hiranandani Group has over three decades of experience in residential, commercial and retail development. The Blackstone Group is one of the largest real estate private equity players in the world. It is also one of the major logistics and industrial park players globally.

Favourable location of the asset – The project site is in Oragadam, Chennai, in Tamil Nadu. The project is located at less than 8 km from NH32 Trichy-Chennai highway (Grand Southern Trunk Road-GST Road) and 16 km from NH48 Chennai-Bangalore Highway. Sriperumbudur Industrial Park, Oragadam Industrial Park and Maraimalai Nagar Industrial Park are in proximity to VDPL. Oragadam is also among the largest automobile manufacturing hubs in South Asia.

Adequate financial risk profile – VDPL's financial risk profile is adequate, as reflected by estimated leverage (Net Debt/Net Operating Income) of 5.1 – 5.2 times as of March 2024 and March 2025, and debt coverage metrics with five-year average DSCR of 1.27-1.30 times during FY2024-FY2028.

Credit challenges

Execution and market risk for Phase III – Around 66% of the total project cost for Phase III is pending to be incurred as of March 2023. The pending cost for Phase III is estimated to be Rs. 276 crore, which is expected to be funded through Rs. 170 crore of CF, Rs. 80-crore LRD loan against the already leased blocks and the balance Rs. 26 crore through promoter contribution/internal accruals. The company expects construction for Phase III to be completed by FY2026. It is also exposed to market risk for the under-construction blocks in Phase III with a total area of around 0.8 msf. However, the strong leasing pipeline mitigates the risk to a large extent.

Tenant concentration risk – VDPL is exposed to tenant concentration risk, given ~57% of the total covered leasable area is leased to two tenants from the wind energy sector. However, the long tenure of the lease with the top tenant, along with investment towards fitouts undertaken by tenants, provides comfort on the tenant stickiness towards the property. Nonetheless, any delays in rental payments or vacancy can adversely impact VDPL's cash flow position.

Geographical and asset concentration risks – Since VDPL is a single project special purpose vehicle (SPV), it is exposed to geographical and asset concentration risks, which are inherent in companies with single projects.

Liquidity Position: Adequate

The company's liquidity position is adequate. As on June 30, 2023, it had cash and liquid investments of Rs. 39 crore and debt service reserve account (DSRA) balance of Rs. 10.48 crore. The pending cost for Phase III is estimated to be Rs. 276 crore, which is expected to be funded through Rs. 170 crore of CF, Rs. 80-crore LRD loan against the already leased blocks and the balance Rs. 26 crore through promoter contribution/internal accruals. The cash flow from operations from the existing leases is sufficient for the scheduled LRD repayment obligations. Further, the company is likely to maintain free cash and liquid investments of Rs. 40 crore, covering around 6-9 months of debt repayment obligations (principal + interest) over the medium term.

Rating sensitivities

Positive factors – The rating may be upgraded in case of significant increase in the scale of operations, while reducing the leverage (Net Debt to NOI) below 4.5 times on a sustained basis.

Negative factors – The rating may be downgraded if an increase in vacancy levels or/and higher-than-anticipated debt levels weakens the financial risk profile. Specific metric that will lead to a rating downgrade will be five-year average DSCR declining below 1.30 times.

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

VDPL is developing an industrial and logistics park named Greenbase Industrial and Logistics Park, at Oragadam, in Tamil Nadu. It is a subsidiary of Juturna Developers Private Limited, which is a 50:50 joint venture between Cyprus Realtors LLP and BREP Asia II India Holding Co I (NQ) Pte. Ltd. Cyprus Realtors LLP is promoted by Mr. Niranjan Hiranandani and Mrs. Kamal Hiranandani (of the Hiranandani Group), while BREP Asia II India Holding Co I (NQ) Pte. Ltd is sponsored by the Blackstone Group. The company completed construction of Phase I as of December 2020 and Phase II as in FY2023. At present, VDPL is carrying out the construction of Phase III of the project. The scheduled commercial operation date for Phase III of the project is March 31, 2026.

Key financial indicators

Standalone	FY2022 (audited)	FY2023 (provisional)
Operating income	41.8	53.0
PAT	-2.6	-26.3
OPBDIT/OI	62.9%	79.9%
PAT/OI	-6.1%	-49.5%
Total outside liabilities/Tangible net worth (times)	1.3	2.0
Total debt/OPBDIT (times)	8.3	6.9
Interest coverage (times)	0.8	0.6

Source: Company financials; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore. All ratios as per ICRA's calculations

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)	Amount outstanding as on May 31, 2023 (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years			
				Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Sep 18, 2023	Sep 08, 2023	Jul 12, 2022	Jul 02, 2021	Oct 01, 2020	
1 Term loan (LRD)	Long-term	333.0*	229.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	-	
2 Interchangeable – sublimit of LRD	Long-term	(130.0)	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	-	
3 Term Loan (Construction Finance-CF)	Long-term	250.0	10.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	
4 Interchangeable – sublimit of CF	Long-term	(100.0)	-	[ICRA]A+ (Stable)	-	[ICRA]A+ (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	
5 Interchangeable – sublimit of TL (LRD)	Long-term	(15.0)	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-	
6 Interchangeable – sublimit of CF	Long-term	-	NA	-	-	-	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	

* Includes Rs. 60.00 crore of limits which were rated previously under Term Loan (Construction Finance-CF)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based TL (LRD)	Simple
Long-term – Fund-based TL (CF)	Simple
Long-term – Fund-based FCTL (Interchangeable - sub-limit of LRD)	Simple
Long-term – Non-fund based Letter of Credit – Interchangeable sublimit	Very Simple
Long-term – Non-fund based Bank Guarantee – Interchangeable sublimit	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 loan LRD	March 2021	-	FY2033	80.0	[ICRA]A+ (Stable)
NA	Term loan LRD	March 2021	-	FY2034	50.0	[ICRA]A+ (Stable)
NA	FCTL (sublimit of LRD)	March 2021	-	-	(130.0)	[ICRA]A+ (Stable)
NA	LRD	March 2022	-	FY2035	120.0	[ICRA]A+ (Stable)
NA	Letter of credit (sublimit of term loan LRD)	March 2022	-	-	(15.0)	[ICRA]A+ (Stable)
NA	Term loan LRD	June 2023	-	FY 2037	83.0	[ICRA]A+ (Stable)
NA	Term loan – CF	March 2023	-	FY 2027	250.0	[ICRA]A+ (Stable)
NA	Letter of credit (sublimit of CF)	March 2023	-	FY 2027	(50.0)	[ICRA]A+ (Stable)
NA	Bank guarantee (sublimit of CF)	March 2023	-	FY 2027	(50.0)	[ICRA]A+ (Stable)

Source: Company data

[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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