

March 21, 2024

Shirina 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	70.01	70.01	[ICRA]BBB+ (Stable); reaffirmed
Short-term – Non-fund based – Letter of credit (LC)#	(5.20)	(5.20)	[ICRA]A2; reaffirmed
Short-term – Non-fund based – Bank guarantee (BG)#	(5.20)	(5.20)	[ICRA]A2; reaffirmed
Total	70.01	70.01	

*Instrument details are provided in Annexure-I

#LC and BG are sub limits of Term Loan

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Shirina Industrial & Logistics Park Private Limited and Secura Logistics Park Private Limited, given their high degree of business, financial and managerial linkages, cross collateralisation, and cross guarantees provided by both the entities to each other for the debt availed. Shirina Industrial & Logistics Park Private Limited and Secura Logistics Park Private Limited, which are special purpose vehicles (SPVs) sponsored by the IndoSpace network (IndoSpace) are jointly developing an industrial and logistics park on 48.72 acres of land in Vishnuvakkam village, in Thiruvallur district, Tamil Nadu, with a leasable area of 1 million square feet (msf), spread across six units.

The reaffirmation of the ratings factor in the low funding risk and the estimated comfortable leverage and adequate debt coverage metrics from the project. The park is favourably located in Thiruvallur district, Tamil Nadu with good connectivity to Chennai and other adjacent industrial as well as warehousing hubs. The project is proposed to be funded in debt-to-equity ratio of 1:1. The entire debt requirement has been tied up and 72% of the originally committed equity requirement has been infused as of September 2023. The ratings continue to factor in the established track record of the IndoSpace network (IndoSpace) in the industrial warehousing and logistics space in India. The ratings note the favourable location of the asset, along with good connectivity to Chennai and other adjacent industrial as well as warehousing hubs.

The ratings are, however, constrained by the project's exposure to execution and market risks. The project is at an intermediate stage with 60% construction progress as of September 2023. The slow leasing for the asset resulted in construction delays. As a result, the DCCO is proposed to be extended by two years to September 2026 (Original DCCO: September 30, 2024), with the approval of the lender, along with a corresponding 2-year deferment in the repayment schedule for the term loan from October 2026 onwards, against the originally scheduled repayments from October 2024. Its ability to achieve the extension in DCCO in a timely manner will remain critical from the credit perspective. The budgeted project cost is expected to witness an escalation of around 10% on account of higher interest during construction (IDC) and other general overheads, which will be funded by additional promoter contribution. ICRA takes note of the company's exposure to market risk, as the leasing remains low at 17.9% of the leasable area. 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, the sponsors' leasing track record and exceptional financial flexibility mitigate the refinancing risk to an extent. The company is 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 be able to secure timely extension in DCCO, complete the project within the revised DCCO and secure lease tie-ups at adequate rental rates.

Key rating drivers and their description

Credit strengths

Low funding risk; comfortable leverage – The project’s funding risk is low as the debt requirement has been tied-up and 72% of the originally committed equity requirement has already been infused as of September 2023, for a budgeted debt-to-equity ratio of 1:1 for the project. While there is a possibility of cost escalation in the project, the same will be funded by promoter’s contribution. ICRA derives comfort from the comfortable 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 principal and interest repayment obligation post moratorium of the loan.

Favourable project location – The project is located in Vishnuvakkam village, Thiruvallur district, on state highway SH 114 (known as Red Hills Thiruvallur Highway). The Central Business District (CBD) of Chennai and the Chennai International Airport are located at 41 km and 50 km, respectively, from the project. The Chennai Port is located at a distance of 45 km, while the industrial areas of Gummudipoondi, Sriperumbudur and Oragadam are situated 41 km, 32 km and 46 km away, respectively. There is a significant potential for a logistics park, considering the proximity to the established Red Hills micromarket and its connectivity to Chennai.

Strong track record and business profile of sponsor – Shirina Industrial & Logistics Park Private Limited and Secura Logistics Park Private Limited are promoted by ILP III Ventures IV Pte. Ltd., Singapore (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 globally in developing industrial and logistics parks. At present, it manages assets worth over USD 7 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. 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 100 billion assets under management (AUM) across the real estate and private equity segments.

Credit challenges

Exposure to project execution risk – The project has a total leasable area of 1 msf, spread over six units, out of which one is completed, and work has started for three more blocks from January 2024. The project is at an intermediate stage of execution, with 60% of the originally budgeted project cost incurred as of September 2023 (45% as of September 2022). In view of slow project progress, the company would seek two years of extension in the DCCO of the project from the lender. Accordingly, the revised DCCO for the project is expected to be September 2026 (Original DCCO: September 2024), along with a corresponding 2-year deferment in the repayment schedule for the term loan from October 2026 onwards, against the originally scheduled repayments from October 2024. Its ability to achieve the extension in DCCO in a timely manner will remain critical from the credit perspective. Nevertheless, ICRA continues to draw comfort from the track record of infusion of funds, extensive experience, financial flexibility, leasing and construction capabilities of the sponsor in the warehousing space.

Exposure to market and refinancing risks – The project is exposed to market risk with only 17.9% leasing tie-ups in place as of December 2023. 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, the sponsors’ leasing track record and exceptional financial flexibility mitigate the refinancing risk to an extent.

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 has Rs. 15.6 crore of free cash and liquid investments and Rs. 57.6-crore undrawn bank limits, as on September 30, 2023. This, along with the pending as well as additional (in line with the shortfall undertaking, if need be) equity commitments will be adequate to fund the pending project cost of Rs. 110.8 crore, along with the estimated cost escalation of 10% as on September 30, 2023. ICRA draws comfort from the track record of timely infusion of funds by the sponsor into various SPVs, whenever needed.

Rating sensitivities

Positive factors – A significant progress in leasing at adequate rentals and mitigation of refinancing risk associated with CF loan resulting in an improvement in debt protection metrics could lead to a rating upgrade.

Negative factors – Inability to obtain the extension in DCCO in a timely manner, or delays in tying up balance leases at adequate rental rates impacting its refinancing ability, 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	For arriving at the ratings, ICRA has taken a consolidated view of Shirina Industrial & Logistics Park Private Limited and Secura Logistics Park Private Limited, given the high degree of business, financial and managerial linkages, cash flow fungibility, cross collateralisation and cross guarantees provided by both entities to each other for the debt availed.

About the company

Shirina Industrial & Logistics Park Private Limited and Secura Logistics Park Private Limited, 100% subsidiaries of M/s. ILP III Ventures IV Pte. Ltd, are developing an industrial and logistics park in Vishnuvakkam village, in Thiruvallur district, Tamil Nadu. The companies own the land (admeasuring 48.72 acres) for the project, which will have a total leasable area of around 1 msf spread across six warehouse units.

Key financial indicators: Not applicable being 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 (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 21, 2024	Jan 03, 2023	Jan 14, 2022	-
1 Term loans	Long term	70.01	70.01	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-
2 Letter of credit*	Short term	(5.20)	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	-
3 Bank guarantee*	Short term	(5.20)	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	-

* LC and BG are sub limits of Term Loans

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	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	Aug 17, 2021	-	FY2034	70.01	[ICRA]BBB+ (Stable)
NA	Letter of credit*	-	-	-	(5.20)	[ICRA]A2
NA	Bank guarantee*	-	-	-	(5.20)	[ICRA]A2

Source: Company; * LC and BG are sub limits of Term Loan

[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
Shirina Industrial & Logistics Park Private Limited	100%	Full Consolidation
Secura Logistics Park Private Limited	100%	Full Consolidation

*Both the entities are wholly owned subsidiaries of the same parent ILP III Ventures IV Pte. Ltd.

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