

August 30, 2019

## Rohan Realtors (Pune) Private Limited: Rating reaffirmed; Outlook revised to ‘Stable’ from ‘Positive’

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based - Term Loan	41.43	41.43	[ICRA]BBB+; reaffirmed, outlook revised to Stable from Positive
<b>Total</b>	<b>41.43</b>	<b>41.43</b>	

\*Instrument details are provided in Annexure-1

### Rationale

This facility is part of the Rs. 159.36-crore term loan facility availed jointly by a consortium of two companies – Rohan Realtors (Pune) Private Limited (RRPL) and Rohan Cityscape Private Limited (RCPL) – collectively referred to as Indospace Chakan I Phase II (ICP-II).

The change in outlook from Positive to Stable factors in slower than expected leasing and construction progress in the project as well as resultant delay in conversion of the construction finance (CF) facility to lease rental discounting (LRD) facility. The outlook change also reflects possible pressure on rental rates and occupancy levels due to increase in competitive intensity in the micro market.

The rating reaffirmation considers the project’s transfer to Indospace Core<sup>1</sup> and strong financial profile of the promoter - Canada Pension Plan Investment Board (CPPIB) and GLP Global as well as the strong management track record of the Indospace Group. The rating also considers low funding risk with entire debt requirement tied-up and 100% of the equity requirement already infused in the project. The rating continues to account favourable project location in terms of infrastructure and proximity to industrial hubs of Pune and Chakan. The rating further takes into consideration presence of Debt Service Reserve Account (DSRA) mechanism equivalent to three months of debt servicing obligations to be maintained post moratorium period.

The rating, however, remains constrained by exposure to market risk i.e. rental risk as well as demand risk as 64% of the total leasable area yet to be leased out. The market risk is heightened by increased supply of warehousing space and intense competition in the location, which could put pressure on the occupancy level or rent rates. The rating is further constrained by the project execution risks with ~Rs. 50 crore pending cost yet to be incurred. The rating is also constrained by high tenant concentration and vacancy risks as only a single tenant is currently occupying ~34% of the total area and 100% of the current rental income. The company is also exposed to high geographical and asset concentration risk which is inherent in single project portfolio. Going forward, timely tie-up of lease rentals for balance portion at adequate rates and conversion of the construction finance facility to LRD would be the key rating sensitivities.

<sup>1</sup> Indospace Core – a joint venture (JV) between the Canada Pension Plan Investment Board (CPPIB), GLP Global and Indospace Group

## Outlook: Stable

ICRA believes that RRPL will continue to benefit from experience of the promoters and will be able to tie-up new leases in the near term. The outlook may be revised to Positive if the remaining area is leased at adequate rates and the CF facility is converted to LRD facility with lower interest rate and elongated maturity profile, thus improving the debt coverage ratios. The outlook may be revised to Negative if there is further increase in debt levels without commensurate increase in rental income. Delay in construction and lease tie-ups or vacancy by existing tenant will put pressure on the rating going forward.

## Key rating drivers

### Credit strengths

**Strong track record and financial profile of promoters** – Indospace Chakan-I Phase II is currently owned by Indospace Core. CPPIB is a Canadian Crown corporation which oversees and invests the funds contributed to and held by the Canada Pension Plan. GLP is a China based player which is global provider of modern logistics facilities and technology-led solutions, with US\$64 billion in assets under management across its real estate and private equity segments. The project is operated and managed by Indospace Group.

**Favourable project location in terms of infrastructure and proximity to industrial clients**– The project is an industrial and logistics park, is located at Chakan, Pune at about 15–20 km from NH-50. The area is a major industrial hub in the western part of India with over 9,500 acres of land under development by MIDC. It is one of the largest automobile manufacturing hubs in India, along with engineering and electronics industries. The location is also favourable due to its proximity to Jawaharlal Nehru Port Trust (JNPT), NH-3 and NH-4.

**Low funding risk and presence of DSRA post moratorium period** – The funding risk for the project remains low with entire debt requirement has been tied-up and 100% of the equity requirement already infused. The company is in a process of creating a DSRA post moratorium period, which is equivalent to three months of debt servicing obligations for the project loan as well as an escrow mechanism. This will provide comfort against any short-term liquidity mismatch in case of exigency.

### Credit challenges

**Exposure to market risk** – With ~6.24 lakh sq. ft. area yet to be leased out, the company remains exposed to market risk i.e. price risk as well as demand risk. Increased competition in the region due to incremental supply of logistics and warehousing facilities coming up by Indospace as well as other developer, there could be downward pressure on rental rates.

**Exposure to risks associated with tenant concentration and project execution** – Currently, there is a single tenant accounting for 34% of the total area and accounting for 100% of rental income. Further, the moratorium period has ended in June 2019 and principal repayments have started. The debt servicing will be severely impacted in case the existing tenant vacates the property or if tie-up of additional leases is delayed. Further, with ~Rs. 50 crore pending cost yet to be incurred and the project running behind schedule, it remains exposed to project execution risk.

**High geographical and asset concentration risks** – ICP-II in Pune is the single project jointly undertaken by consortium of two companies. Thus, the companies are exposed to high geographical and asset concentration risks, which is inherent in single project portfolio of companies. However, ICRA draws comfort from the Group's diverse portfolio of around 31

million sq. ft. across 30 logistics and industrial parks (including developed and under development parks) across 8 cities in India.

### Liquidity Position:

The company has an adequate liquidity on account of liquid investments and unencumbered cash balance of ~Rs. 13.3 crore as on March 2019.

### Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a>
Parent/Group Support	We expect Indospace Core to be willing to extend financial support to RRPL, should there be a need, given the high strategic importance that the companies hold for the group.
Consolidation / Standalone	Consolidation: ICRA has taken a consolidated view of consortium of two special purpose vehicles (SPVs) i.e. RCPL and RRPL which jointly hold the ICP-II project.

### About the company:

Indospace Chakan I Phase -II (ICP-II) in consortium of two companies, viz. Rohan Realtors Private Limited (RRPL) and Rohan Cityscape Private Limited (RCPL) is setting up a logistics and industrial park at Chakan-Talegaon Road near Pune in an area of 38 acres with total leasable area of 9.4 lakh sq. ft. The company became a wholly owned subsidiary of Indospace Core (a joint venture between CPPIB, GLP Global and Indospace Group) in Q1FY2020. Earlier it was promoted by Mauritius based entity Indospace Ventures II (84.40%) and Pune based real estate developer Rohan Builders and Developers Private Limited (15.60%). The project is being funded through a term loan of Rs. 159.36 crore and rest from promoter equity and internal accruals.

### Key financial indicators (consolidated)

	FY2018	FY2019P*
Operating Income (Rs. crore)	0.0	10.8
PAT (Rs. crore)	-1.5	-1.2
OPBDIT/OI (%)	NA	95.1%
RoCE (%)	-3.9%	6.8%
Total Debt/TNW (times)	1.6	2.7
Total Debt/OPBDIT (times)	-73.9	11.5
Interest coverage (times)	-1.43	1.51

\*- FY2019 numbers are provisional in nature

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for last three years:**

		<b>Current Rating (FY2020)</b>			<b>Chronology of Rating History for the Past 3 Years</b>			
<b>Instrument</b>	<b>Type</b>	<b>Amount Rated (Rs. crore)</b>	<b>Amount Outstanding (Rs. crore)</b>	<b>Date &amp; Rating August 2019</b>	<b>Date &amp; Rating in FY2019 August 2018</b>	<b>Date &amp; Rating in FY2018 June 2017</b>	<b>Date &amp; Rating in FY2017 September 2016</b>	
1 Term Loan	Long Term	41.43	18.00	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB (Stable)	-	

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	January 2017	-	December 2028	41.43	[ICRA]BBB+ (Stable)

Source: RCPL & RRPL

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Rohan Realtors (Pune) Private Limited	100%	Full Consolidation
Rohan Cityscape Private Limited	100%	Full Consolidation

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