

July 23, 2021

## Talegaon Industrial Parks Pvt Ltd: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, Fund based- Term Loan Facilities	250.0	250.0	[ICRA]BBB(Stable); reaffirmed
Long and Short-term, Non Fund based- Letter of Credit Facility#	(25.0)	(25.0)	[ICRA]BBB(Stable)/[ICRA]A3+; reaffirmed
Long-term, Non Fund based- Bank Guarantee Facility	5.0	5.0	[ICRA]BBB(Stable); reaffirmed
<b>Total</b>	<b>255.0</b>	<b>255.0</b>	

\*Instrument details are provided in Annexure-1

# sublimit of Term Loan (I)

### Rationale

The rating reaffirmation for Talegaon Industrial Parks Pvt Ltd (TIPPL) continues to reflect the strong business profile and the established track record of its promoters - The Hiranandani and Blackstone Groups - in the real estate space in India. TIPPL is developing an industrial warehouse and logistics park in Talegaon, Maharashtra, spread over an area of 267 acres. At present, the company is undertaking Phase I on ~95 acres with a leasable potential of ~1.5 million sq. ft. (msf), out of which Part-1 of ~0.7 msf is under development. The asset is favourably located near Talegaon MIDC, near Pune, in Maharashtra, and has good connectivity. The funding risk of the project remains low as the entire debt requirement for the project has been tied up and 79% of the committed equity requirement has already been infused. The bank facility requires maintaining a Debt Service Reserve Account (DSRA) equivalent to three months of debt servicing obligations during and post the moratorium period, which provides comfort against any short-term liquidity mismatch.

The ratings are, however, constrained by the asset concentration risk as well as the project's exposure to the execution risk. The project has achieved 43% financial progress as of March 2021, up from 31% in March 2020. While Part-1 of the project, which is currently underway, has a scheduled completion by March 2023, the construction of the second part, which is scheduled for completion by December 2024 has not yet commenced. ICRA takes note of the exposure to market risk, as the pre-leasing remains low and rental commencement from the same has been delayed. While advanced negotiations are ongoing for a significant part of the balance area, the company might face some slowdown in incremental leasing in the near term because of the Covid-19 pandemic. The company's ability to achieve incremental leasing and rental commencement in the near term, amid the slowdown triggered by the second wave of Covid-19 pandemic, continues to remain critical from the credit perspective.

ICRA also notes that TIPPL has entered into a land sale transaction with a chemical manufacturing company for Part-2 of Phase I. ICRA believes that the land sale transaction which is expected to be completed by H1FY2023 will generate considerable sale proceeds which will enable TIPPL to reduce debt drawdown for the development of the second part of the project.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the strong business profile and extensive experience of its sponsors in the real estate space which will enable it to complete the project without any material time and cost overruns. Further, the leasing is expected to progress in a timely manner.

## Key rating drivers and their description

### Credit strengths

**Strong business profile and established track record of promoters** – TIPPL is a joint venture between Cyprus Realtors LLP and BREP Asia II India Holding Co I (NQ) Pte. Ltd., with both holding 50% stake in TIPPL. Cyprus Realtors LLP is promoted by Mr. Niranjan 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. TIPPL is the first industrial project undertaken by the joint platform of the two groups. The project benefits from the strong land aggregation and construction capabilities of the Hiranandani Group, as well as the global leasing track record of the Blackstone Group. Further, the company enjoys healthy financial flexibility as a part of the strong promoter groups.

**Favourable location of asset** – The project site of TIPPL is in Talegaon, near Pune, in Maharashtra, which is at a distance of less than 15 km from NH-48 Old Mumbai-Pune Highway, 15 km from Mumbai-Pune expressway, 50 km from Pune airport and 110 km from JNPT seaport. The site offers proximity to the Pune metropolitan area and hence the location can be utilised by logistics and e-commerce players as well. The project is located near Talegaon MIDC and 30 km from Chakan MIDC, which houses many manufacturing companies. It benefits from good connectivity and proximity to manufacturing as well as residential hubs, supporting the market position of the asset.

**Limited funding risk** – The funding risk of the project remains low as the entire debt requirement has been tied up and 79% of the committed equity requirement has already been infused for a budgeted debt-to-equity ratio of 1.56 times. The bank facility requires maintaining a DSRA equivalent to next three months of debt servicing obligations during and post the moratorium period. This provides comfort against any short-term liquidity mismatch.

**Proceeds from land sale to support cash flows** – The company is in the process of selling certain land parcels to a chemical manufacturing company. The first leg of this sale transaction is expected to be completed in H2FY2022 and the second leg in H1FY2023. The funds received through this transaction are expected to remain available for project expenses, resulting in reduced debt draw-down.

### Credit challenges

**Exposure to high project execution risk** – The industrial and logistics park, which is being developed by TIPPL, is spread over an area of 267 acres and is being executed in a phase-wise manner. At present, the company is developing ~95 acres with a total leasable area of ~1.5 msf out of which Part-1 is under construction and Part-2 is yet to commence. It has incurred 43% of the total project cost as on March 2021, up from 31% in March 2020. Part-1 is at an intermediate stage, with a DCCO of March 2023, and construction for Part-2 (DCCO of December 2024) is yet to commence, resulting in exposure to execution risks.

**Vulnerable to market risks; delays in lease rental commencement** – There is market risk exposure as pre-leasing remains low and rental inflows from the same have been delayed. However, ICRA has taken note of the advanced negotiations for leasing of significant part of the balance area.

**Geographical and asset concentration risks** – Since TIPPL is a single project SPV, it is exposed to geographical and asset concentration risks, which are inherent in companies with single projects.

## Liquidity position: Adequate

TIPPL's liquidity position is supported by adequate free cash and liquid investments and considerable undrawn bank limits available as on March 31, 2021, which, along with the anticipated considerable proceeds from sale of land, is expected to be sufficient for funding the construction of the remaining portion of the industrial park. The debt repayments for the construction finance loan for Part-1 will commence from FY2024 (April 2023). The bank facility requires DSRA of three months' interest plus principal obligation to be maintained, which underpins the liquidity profile.

### Rating sensitivities

**Positive factors** – Timely progress on execution and leasing in the project, which results in improved visibility on rent commencement and ability to achieve healthy debt coverage metrics will be a positive trigger.

**Negative factors** – Cost overruns or unforeseen delays in the completion of Part-1 of the project or lack of timely lease rental commencement could exert negative pressure on the ratings.

### 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	Not Applicable
Consolidation/Standalone	Standalone

## About the company

TIPPL was incorporated on September 24, 2009 and is developing an industrial warehouse and logistics park in Talegaon, Maharashtra. TIPPL 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 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 total area of land under consideration for the project is 267 acres. The company plans to develop Phase I of project spread across ~95 acres with a leasable potential of ~1.5msf which is being funded through debt and equity (1.56:1).

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	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
				July 23, 2021	June 24, 2020	-	-
1 Term Loan I	Long-term	115.00	70.00	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	-	-
2 Term Loan II	Long-term	135.00	0.00	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	-	-
3 Letter of credit (sublimit of Term Loan I)	Long and Short-term	(25.00)	-	[ICRA]BBB(Stable)/[ICRA]A3+	[ICRA]BBB(Stable)/[ICRA]A3+	-	-
4 Bank Guarantee	Long-term	5.00	-	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term, Fund based- Term Loan Facilities	Simple
Long and Short-term, Non Fund based- Letter of Credit Facility#	Very Simple
Long-term, Non Fund based- Bank Guarantee Facility	Very Simple

*#sublimit of Term Loan I*

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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan I	March 2020	9.55%	March 2032	115.00	[ICRA]BBB(Stable)
NA	Term Loan II	March 2020	9.55%	March 2032	135.00	[ICRA]BBB(Stable)
NA	Letter of credit (sublimit of Term Loan I)	March 2020	-	-	(25.00)	[ICRA]BBB (Stable)/A3+
NA	Bank Guarantee	March 2020	-	-	5.00	[ICRA]BBB(Stable)

**Source:** Company

**Annexure-2: List of entities considered for consolidated analysis - Not applicable**

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