

February 24, 2020

Indospace Industrial Park Badli Private Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund Based TL	315.0	[ICRA]BBB (Stable) assigned
Long term-Interchangeable	(15.0)	[ICRA]BBB (Stable) assigned
Total	315.0	

*Instrument details are provided in Annexure-1

Rationale

The assigned rating favourably factors in the strong business profile and established track record of the Indospace Group, which is sponsored by Realterm Global, Everstone Capital and GLP Global. The rating also draws strength from the favourable location of the project in Badli, Haryana which is one of India's leading states for industrial production and in proximity to Delhi NCR. ICRA takes a note of the low regulatory risk of the project as all the key approvals required for construction are already in place. Indospace Industrial Park Badli Private Limited (IIPBPL) is developing an industrial and logistics park with a total leasable area of ~28 lakh sq ft and the funding tie up for the project cost is already in place with a comfortable debt to equity ratio of ~1 times. The rating takes into consideration presence of Debt Service Reserve Account (DSRA) equivalent to next three months' instalments to be maintained post moratorium period as well as healthy levels of projected debt coverage indicators for the entire duration of the debt facility with the assumption of ramp-up in occupancies at adequate rentals.

The rating, however, is constrained by the project execution risks as about 62% of the total construction and common infrastructure cost is yet to be incurred. The project has scheduled commercial operation date as September 2022 while the project is expected to be completed earlier by June 2022. The company is also exposed to high geographical and asset concentration risk, the same, however, is mitigated by track record of Indospace Group and established relationship with potential tenants. The rating is further constrained by exposure to market risk i.e. price risk and demand risk as currently ~69% of the leasable area is yet to be leased. Going forward, timely project execution and leasing tie-up at adequate rental rates will remain the key rating sensitivities.

Key rating drivers and their description

Credit strengths

Strong business profile and established track record of sponsors – IIPBPL is promoted by ILP II Ventures XII Pte. Ltd. (Indospace Group; 100% stake). ILP II Ventures XII Pte. Ltd 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 across the world and at present owns over 300 facilities in North America, Europe and Asia. Everstone Capital is an India and South East Asia-focused investment manager dedicated to private equity and real-estate funds. GLP Global is a leading global provider of logistics facilities and technology-led solutions and owns and operates a 7200 lakh sq ft property portfolio and has completed 2900 projects including 1200 logistics park globally.

Favourable project location due to proximity to industrial clients and developed infrastructure – The project is located in Badli, Haryana. Haryana is one of India's leading states for industrial production and a location of choice for auto

majors and auto-component manufacturers. The project is located on MDR 123 (Jhajjar-Badli Road) and at distance of ~8 km from Delhi border, ~7 km from Kundali Manesar Palwal (KMP) Expressway and ~60 km from New Delhi airport and ~50 km from New Delhi Railway station. Also, Delhi NCR is one of the most preferred warehousing hubs in the country. Thus, the project location is also witnessing growing interest from 3PL, ecommerce, logistics companies in recent years.

Low funding risk and presence of DSRA post moratorium period – The funding risk for the project remains low with entire debt requirement been tied up and ~81% of the equity requirement has already been infused for a budgeted debt to equity ratio of ~1 times. The bank facility requires maintaining a DSRA of next three months of debt servicing obligations post moratorium period as well as an escrow mechanism. This provides comfort against any short-term liquidity mismatch in case of exigency.

Credit challenges

Exposed to project execution risk – The project is currently at intermediate stage of execution with ~62% of total construction and common infrastructure cost yet to be incurred as on December 31, 2019 and the same exposes the company to execution risk. Also, out of the total project cost, the company has incurred 48% as on December 31, 2019. The project has scheduled commercial operation date as September 2022, while the project is expected to be completed earlier by June 2022.

Exposed to market risks – The company, at present, has leased 6% of the total leasable area and the rentals have commenced from July 2019. Additionally, the company has received LOIs for 25% of total leasable area which are expected to occupy the space by early FY2021. The company is yet to finalize the tenants for the remaining area which exposes the company to market risks i.e., price risk and demand risk. However, Indospace Group is an established player in India with well-developed relations with potential tenants and it has a demonstrated leasing track record in other geographies, therefore the risk is mitigated to some extent.

High geographical and asset concentration risks – Since IIPBPL is a single project SPV, it is exposed to high geographical and asset concentration risks, which is inherent in single project portfolio of companies. However, ICRA draws comfort from the diversified presence and established track record of Indospace Group.

Liquidity Position: Adequate

The company has an adequate liquidity profile supported by ~Rs. 63 crore of cash and liquid investments as on December 31, 2019. The company is required to maintain DSRA of next three months of debt servicing post moratorium period and the same will be a source of liquidity. The debt repayments are expected to commence from November 2022 and average monthly debt repayments during FY2023 will be ~Rs. 3 crore. As on December 30, 2019 the company has pending project cost of ~Rs. 377 crore which will be funded by Rs. 220 crore undrawn bank limits, security deposit from the prospective tenants and remaining committed sponsor contribution.

Rating sensitivities:

Positive triggers – ICRA could upgrade IIPBPL's rating if there is ramp up in leasing at adequate rental rates along with timely completion of the project without any major cost overruns.

Negative triggers – Cost overruns or unforeseen delays in the completion of the project could exert negative pressure on IIPBPL's rating. Considerable delays in lease tie-ups and lower than expected rentals 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	We expect Indospace Group to be willing to extend financial support to IIPBPL, should there be a need, given the high strategic importance that the company holds for the group.
Consolidation / Standalone	Standalone

About the company:

The project is being developed by Indospace Industrial Park Badli Private Limited (IIPBPL). Spread over 138 acres of land, the project consists of development of industrial and logistics park at Badli, Haryana having a total leasable area of ~28 lakh sqft. IIPBPL is promoted by ILP II Ventures XII Pte. Ltd., which holds 100% stake in the company. ILP II Ventures XI Pte. Ltd is further promoted by Realterm Global, Everstone Capital and GLP Global. The project has scheduled commercial operation date as September 2022, while the project is expected to be completed earlier by June 2022.

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 last three years:

		Current Rating (FY2020)			Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Dec 2019(Rs. crore)	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1	Term Loan	315.00	95.00	24-Feb-2020 [ICRA]BBB (Stable)	-	-	-
2	Non fund based-Letter of Credit*	15.00	-	[ICRA]BBB (Stable)	-	-	-

*Rs. 15 crore interchangeability from LC to Term Loan

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 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	Long-term – Term Loan	June 2019	-	June 2034	315.00	[ICRA]BBB (Stable)
NA	Long-term – Letter of Credit	June 2019	-	-	(15.00)	[ICRA]BBB (Stable)

Source: IIPBPL

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