

January 13, 2023

Antariksh Warehousing and Logistics Parks Private Limited: Ratings reaffirmed; rated amount reduced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term Loans	140.00	115.70	[ICRA]A- (Stable); reaffirmed
Long-term/Short-term Interchangeable Limits [^]	(15.00)	(15.00)	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
Total	140.00	115.70	

*Instrument details are provided in Annexure-I

[^] Letter of Credit (LC) / Bank Guarantee (BG), sublimit of Term Loan

Rationale

The rating reaffirmation continues to factor in the established track record of the IndoSpace Group¹ (IndoSpace) in the industrial, warehousing and logistics park business in India. The ratings consider the favourable location of the asset in Bhoproda with good highway connectivity, which ensures access to the National Capital Region (NCR), Uttar Pradesh (UP) and Rajasthan. The Phase I of the project has been fully completed, leased as on date and rentals have commenced for 100% of the Phase I area. While the construction progress for Phase II has been slower due to delays in getting approvals, the funding risk for Phase II remains low, as the entire debt requirement has been tied up and the promoters have brought in 61% of the budgeted equity contribution as on September 30, 2022. The ratings note the comfortable leverage in the project with debt to equity ratio of 0.70:1 (Actual as on September 30, 2022) for Phase I and 1.24:1 for Phase II, as well as the presence of a debt service reserve account (DSRA) and escrow mechanism for the construction finance debt.

The ratings, however, are constrained by the project execution risks pertaining to Phase II of the project. As on September 30, 2022, the company incurred Rs. 25.0 crore (26%) out of Rs. 97.3-crore cost of Phase II. The construction of Phase II has been delayed on account of delays in getting the requisite approvals. Considering the slow project progress, the company has sought extension of 15 months in the date of commercial operations (DCCO) for Phase II to July 01, 2024 from the present DCCO of April 01, 2023, from its lender. Timely approval of the same by the lender would be a key rating monitorable. The company also faces market risk for Phase II, which is yet to receive any leasing tie-ups. Additionally, it remains exposed to the high geographical and asset concentration risks inherent in single project SPVs. These risks, however, are mitigated to some extent by the sponsor's vast experience in the warehousing space, large portfolio of IndoSpace across geographies and its established relationship with potential tenants.

The Stable outlook on the rating reflects ICRA's opinion that Antariksh Warehousing and Logistics Parks Private Limited (AWLP) will be able to secure the extension in DCCO for Phase II and complete the residual construction within the revised timeline of July 01, 2024 and generate steady rental revenues from the completed blocks of Phase I. ICRA believes that the company will benefit from the extensive experience of IndoSpace in the warehousing space, which is expected to enable AWLP to secure lease tie-ups for the residual area.

¹ ILP II Ventures X Pte Ltd., Singapore (a part of the IndoSpace Group), is sponsored by Realterm Global, Everstone Capital and GLP Global

Key rating drivers and their description

Credit strengths

Strong business profile and track record of sponsors - AWLP is promoted by ILP II Ventures X Pte. Ltd (part of IndoSpace), which 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. At present, it manages assets worth over USD 7 billion. It 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 real estate and private equity segments.

Cash flow visibility with completion of Phase I with full leasing and commencement of rentals - AWLP has completed the construction of the planned three blocks under Phase I of Bhaproda Park. The company has leased 100% of the total area in Phase I as on date with additional 0.65 lakh sq. ft. having been leased over the last 12 months. Rentals for all the blocks have already commenced (for B100(A)- in November 2020, for B100 (B) in December 2020, for B200 in December 2021, for B100 (C)-in May 2022, for B300 in October 2022), which provides adequate cash flow visibility.

Favourable project location - The industrial and logistics park is located 6 km from Delhi-Rohtak National Highway (NH10), which has high demand potential from third-party logistics (3PL), consumer goods and e-commerce companies. The proximity to the NH10 enables good connectivity through a well-developed road network to Delhi, Gurgaon, Himachal Pradesh, Punjab, and Rajasthan.

Low funding risk for Phase II; presence of DSRA and escrow mechanism provides comfort - The project's funding risk is low with Phase I already being completed and the entire debt requirement being tied up and 61% of the promoter contribution being infused for Phase II as on September 30, 2022. The leverage for the project remains comfortable with debt to equity ratio of 0.70:1 (Actual as on September 30, 2022) for Phase I and 1.24:1 for Phase II. The bank facility requires maintaining a DSRA, which is equivalent to three months of debt servicing obligations for the project loan post the moratorium period and three months' interest obligation during the moratorium period.

Credit challenges

Exposure to market risk - The company has leased 59% of the total leasable area (consolidated for both phases). Nonetheless, it remains exposed to market risks for the remaining area. Phase I is completely leased, which reduces the market risk for Phase I. The market risk for Phase II is mitigated to some extent by the leasing track record witnessed in the first phase, the established relationship with potential tenants and the strong demand for warehousing space in the micromarket.

Exposure to execution risks pertaining to Phase II of the project - Phase II of the project is in its nascent stage of construction exposing the company to execution risks. The work for Phase II has been delayed by 15 months due to delay in getting the requisite approvals. Given the slow project progress, the company has sought extension of 15 months in the DCCO for Phase II to July 01, 2024 from the present DCCO of April 01, 2023. Lender's approval for the same is awaited. Nevertheless, ICRA continues to draw comfort from the extensive experience, leasing and construction capabilities of the sponsor in the warehousing space.

Geographical and asset concentration risks - Indospace Bhaproda is the single project undertaken by AWLP, thus it is exposed to high geographical and asset concentration risks inherent in single project companies. However, ICRA draws comfort from the diverse portfolio of IndoSpace, which is one of India's leading developers of industrial and warehousing parks. It develops industrial and logistics parks for leading players across various sectors including automobiles, e-commerce, FMCG, 3PL and manufacturing among others. At present, it has 41 Grade-A parks – nine in North zone (one in Rajpura and eight in the NCR),

11 in West zone (two each in Ahmedabad and Mumbai and seven in Pune) and 21 in South zone (one in Ananthpur, two in Sri City, 14 in Chennai, one in Coimbatore and three in Bengaluru).

Liquidity position: Adequate

The company's liquidity position is adequate with Rs. 9.1 crore cash and liquid investments as on September 30, 2022. It has Rs. 46.3-crore undrawn bank loans as on September 30, 2022, which along with the pending equity commitments will be adequate to fund the pending budgeted project cost of Rs. 72.3 crore as on September 30, 2022. The rental inflows from the leases in place is expected to provide further support to the funding requirement. The debt repayments for the bank debt for Phase I has commenced in FY2023 and the cash flows available are adequate to meet the debt obligations. The escrow mechanism in place for the project's cash flows, along with the requirement for DSRA of three months of debt servicing obligations for the project loan, post the moratorium period and three months' interest obligation during the moratorium period underpin the liquidity profile.

Rating sensitivities

Positive factors - ICRA could upgrade AWLP's ratings on achieving full leasing of Phase II at adequate rental rates and completing the project without any major cost overruns. Specific credit metric for a rating upgrade is five-year DSCR greater than 1.30 times on a sustained basis.

Negative factors - Pressure on AWLP's ratings could arise if significant delay in construction of Phase II considerable delays in the balance lease tie-ups and lower-than-expected rental rates results in sustained pressure on the credit metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rental
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Antariksh Warehousing and Logistics Parks Private Limited is currently developing an industrial and logistics park, IndoSpace Bhaproda, on a land admeasuring approx. 36 acres, with a total leasable area of 0.7 million sq. ft. The company has launched Phase II of the project to offer a total leasable area of approx. 0.5 million sq. ft. It is a 100% subsidiary of ILP II Ventures X Pte. Ltd., Singapore, which is sponsored by IndoSpace Logistics Park Private Limited.

Key financial indicators (audited)

	FY2021	FY2022
Operating income	2.7	7.3
PAT	-1.6	-1.9
OPBDIT/OI	24.8%	66.1%
PAT/OI	-60.1%	-26.4%
Total outside liabilities/Tangible net worth (times)	1.2	0.7
Total debt/OPBDIT (times)	99.8	12.4
Interest coverage (times)	1.8	1.7

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	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 [^] (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Jan 13, 2023	Jan 14, 2022	Jan 14, 2021	-
1 Term Loans	Long-term	115.70	67.28	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]BBB (Stable)	-
2 Non-fund Based Facilities*	Long-term/Short-term	(15.00)	-	[ICRA]A-(Stable) / [ICRA]A2+	[ICRA]A-(Stable) / [ICRA]A2+	[ICRA]BBB (Stable) / [ICRA]A3+	-

[^]Outstanding of Rs. 59.72 crore from amount sanctioned for Phase I of the project

Outstanding of Rs. 7.56 crore from amount sanctioned for Phase II of the project

*Non-fund-based limits comprises Letter of Credit and Bank Guarantee sublimit of the term loan facility

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Letter of Credit & 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 Loan 1	April 2020	NA	FY2030	61.82	[ICRA]A- (Stable)
NA	Term Loan 2	September 2021	NA	FY2032	53.88	[ICRA]A- (Stable)
NA	Letter of Credit & Bank Guarantee	April 2020	NA	NA	(10.0)^	[ICRA]A- (Stable)/ [ICRA]A2+
NA	Letter of Credit & Bank Guarantee	September 2021	NA	NA	(5.0)*	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Company

^ sublimit of Term Loan 1

* sublimit of Term Loan 2

[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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