

July 10, 2024

Arman Logistics Park Private Limited: [ICRA]A- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	90.00	[ICRA]A- (Stable); assigned
Total	90.00	

*Instrument details are provided in Annexure-I

Rationale

Arman Logistics Park Private Limited, a special purpose vehicle (SPV) sponsored by the IndoSpace network (IndoSpace), is developing an industrial and logistics park in Bavla, Gujarat, with a total leasable area of 1.32 million square feet (msf), spread across five warehouse blocks. The assigned rating draws comfort from the project's favourable location in the Bavla micromarket, with good connectivity to the Changodar-Bavla industrial belt and the presence of lease tie-up with reputed tenants. Further, the rentals have commenced for 80% of the completed area. Based on the current leasing, the leverage is expected to be adequate at 6.6 times as of March 2025. ICRA notes the exceptional financial flexibility of IndoSpace and its track record of honouring the sponsor's undertakings to lenders by infusing funds into various SPVs, whenever needed. The rated facility has an escrow mechanism and a debt service reserve account (DSRA), equivalent to three months of repayment obligations during the entire loan tenure. The rating reflects the favourable sponsor profile with the established track record in the industrial warehousing and logistics space in India.

The rating is constrained by the project's exposure to residual market risk for the completed block (B200) which is yet to be leased, and for the fourth block (B500) which is under construction. ICRA notes that the current LRD loan has been availed against B100 and B400 blocks and based on the current leasing the debt service coverage ratio is expected to be moderate on the LRD Loan. The construction of the fourth block (B500) has commenced from February 2024 and is in a nascent stage which exposes the company to residual execution risk. Nonetheless, the demonstrated ability and track record of IndoSpace to lease and execute projects on time provides comfort. The construction cost of around Rs.50 crore for the fourth block is expected to be funded by undrawn LRD limit of Rs 10 crore, and rest through the available cash balances and sponsor funds. The company does not have any CF loan outstanding currently and hence, there is no scheduled date of commencement of commercial operations (DCCO) for the project. The construction of fifth block (B300) (leasable area of 0.42 msf) has not started and will be undertaken only if there is visibility on leasing and upon achieving the lease tie-ups for B200 and B500. The company does not intend to avail any construction finance (CF) loan for funding the balance construction cost. The rating is also constrained by the high geographical and asset concentration risks inherent in a single project SPV.

The Stable outlook reflects ICRA's opinion that the company will benefit from the extensive experience of its sponsor, IndoSpace, in the warehousing space, which is expected to enable it to complete the project without any material cost overruns as well as secure lease tie-ups for the untied area at adequate rental rates, while maintaining adequate debt coverage metrics.

Key rating drivers and their description

Credit strengths

Strong track record of sponsors – Arman Logistics Park Private Limited is promoted by ILP III Ventures III Pte. Ltd (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 in developing industrial and logistics parks. At present, it manages assets worth over USD 11 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 7 billion in private equity and real estate. GLP Global is an investment firm with over USD 60 billion assets under management (AUM) across the real estate and private equity segments.

Favourable project location – The project is located on a land parcel admeasuring about 45.92 acres in Bavla, Gujarat, on the Ahmedabad-Rajkot Highway (which is a part of NH-47). The proposed site is in proximity to the Changodar-Bavla industrial belt, which houses many large and medium industrial and warehousing developments.

Commencement of rentals for 80% of completed area – The company has completed three out of five blocks (B100, B200, B400) with a leasable area of 0.63 msf. Of this, two blocks (B100 and B400) accounting for 80% of the completed area have been fully leased to reputed tenants and rentals have commenced from September 11, 2022, for B100 and from November 01, 2023, for B400. Based on the current leasing, the leverage is expected to be adequate at 6.6 times as of March 2025.

Credit challenges

Exposure to residual execution and market risks – The rating is constrained by the project's exposure to residual market risk for the completed block (B200) which is yet to be leased, and for the fourth block (B500) which is under construction. ICRA notes that the current LRD loan has been availed against B100 and B400 blocks and based on the current leasing the debt service coverage ratio is expected to be moderate on the LRD Loan. The construction of the fourth block (B500) has commenced from February 2024 and is in the nascent stage exposing the company to residual execution risk. Nonetheless, the demonstrated ability and track record of IndoSpace to lease and execute projects on time provides comfort. The construction cost of around Rs. 50 crore for the fourth block is expected to be funded by undrawn LRD limit of Rs 10 crore, and rest through the available cash balances and sponsor funds. The construction of the fifth block (B300) (leasable area of 0.42 msf) has not started and will be undertaken only if there is visibility on leasing and upon achieving the lease tie-ups for B200 and B500. It does not intent to avail any CF loan for funding the balance construction cost. The company does not have any CF loan outstanding currently and hence, there is no scheduled date of commencement of commercial operations (DCCO) for the project.

Moderate debt coverage indicators for the existing LRD loan – Based on the current leasing, the debt service coverage ratio for the rated instrument is expected to be moderate for the LRD loan.

Geographical and asset concentration risks – The company is exposed to high geographical and asset concentration risks inherent in single project SPVs.

Liquidity position: Adequate

The debt repayments on the LRD loans are expected to be adequately serviced from the cash flows of the leased blocks. The liquidity is adequate with Rs. 20.8 crore of free cash and liquid investments as of March 2024. The construction cost of around Rs. 50 crore for the fourth block is likely to be funded by undrawn LRD limit of Rs. 10 crore, and the rest through the available cash balances and sponsor funds.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of project completion with full leasing leading to improvement in the debt protection metrics. Specific metric leading to a rating upgrade would be five-year average DSCR greater than 1.30 times on a sustained basis.

Negative factors – Considerable delays in tying up balance leases or lease tie-ups at inadequate rental rates 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 (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Indospace is developing an industrial and logistics park under Arman Logistics Park Private Limited (100% subsidiary of ILP III Ventures III Pte. Ltd) on a land admeasuring approximately 45.92 acres with a total leasable area of 1.32 msf comprising five blocks at Bavla, Gujarat.

Key financial indicators (audited)

	FY2023	FY2024*
Operating income	4.5	9.4
PAT	1.3	-32.6
OPBDIT/OI	63.4%	54.0%
PAT/OI	29.8%	-345.3%
Total outside liabilities/Tangible net worth (times)	-14.2	-5.3
Total debt/OPBDIT (times)	59.6	44.8
Interest coverage (times)	7.5	0.1

Source: Company, ICRA Research; *Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
1	Term loans	Long term	90.00	July 10, 2024 [ICRA]A- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	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	January 2024	NA	FY2039	90.00	[ICRA]A- (Stable)

Source: Company

[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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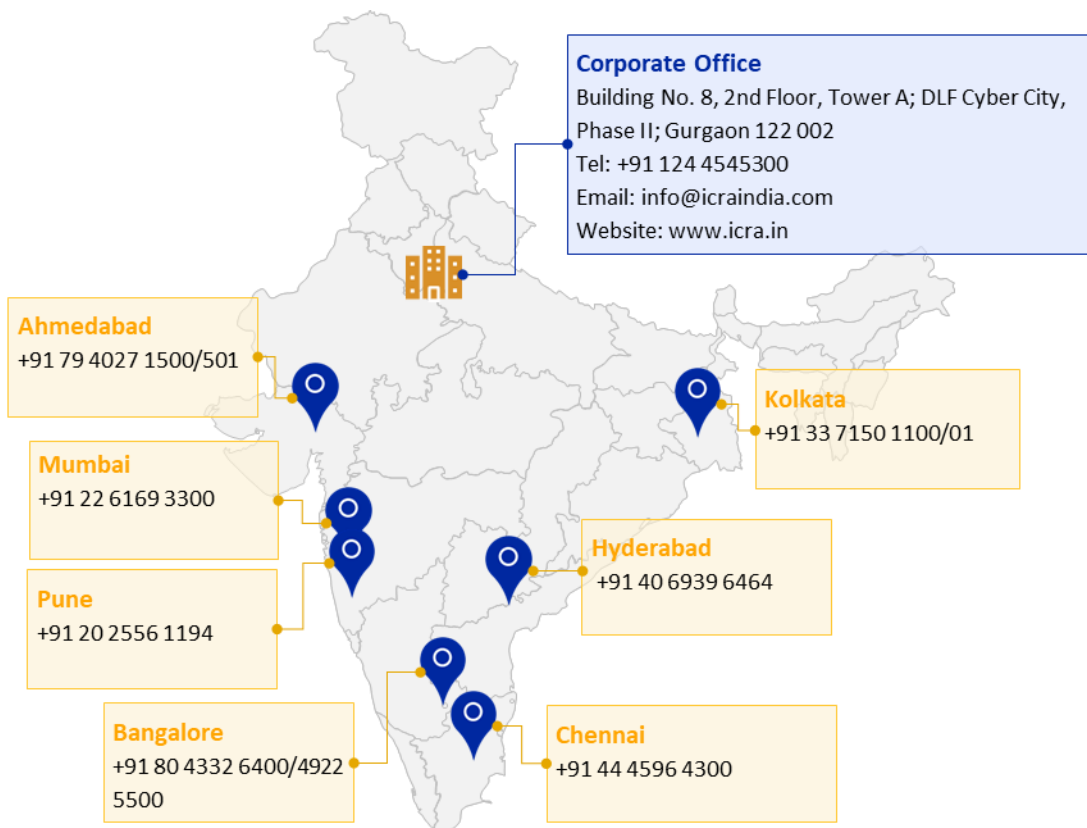
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