

Press Release

Revanza Sullurpet Industrial Parks Private Limited

August 18, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	150.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 150.00 crore bank facilities of Revanza Sullurpet Industrial Parks Private Limited (RSIPPL).

Rationale for the rating assigned

The rating takes into account the presence of a long-term lease deed and strong credit profile of the tenant. The rating also considers the adequate coverage indicators, financial support from promoters in the form of unsecured loans and maintenance of DSRA thereby ensuring adequate liquidity against repayment obligations. However, the rating remains constrained due to customer concertation and vacancy risk. Additionally, the on account of the floating interest rates on debt the rating will remain susceptible to interest rate risks.

About the Company

RSIPPL is a Chennai based company incorporated in the year 2020. RSIPPL is a SPV of Revanza Leasing India Private Limited (RLIPL). Mr. Sushil Lalwani promotes the Revanza Group.

Revanza Industrial Parks offer manufacturing and logistics space for lease and provide built-to-suit facilities as per user specifications. RSIPPL has developed a manufacturing facility along with an open storage with total leasable area of 3,50,000 sq.ft in Sullurpet Taluk, Andhra Pradesh for Indutch Composites Technology Private Limited (Indutch). The project also includes one mega-watt roof top solar plant, Indutch shall purchase the power at a tariff of Rs. 5.5/unit. The solar plant is expected to operate from April 2023. The phase-2 of the project consists of additional 2,50,000 sq.ft which shall also be leased to Indutch. Letter of Intent from Indutch has already been received. However, the phase-2 construction commencement is subject to execution of the lease deed.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RSIPPL.

Key Rating Drivers

Strengths

- **Steady revenue under lease arrangement from the reputed tenant:**

RSIPPL derives its revenues by way of lease rental and maintenance from Indutch Composites Technology Private Limited. Indutch is an ISO 9001-certified manufacturer, exporter and trader of various composite products that find applications in sectors such as wind energy, railways, marine, industrial and aerospace. Indutch primarily derives its revenues from manufacturing windmill blades and ancillary products. The current clientele includes Nordex, Enercon, Siemens Gamesha, and LM Wind Power. In 2019, Mujjal Auto Industries Limited acquired 68 percent stake in Indutch and became its parent company. The strong tenant profile ensures stable and timely rental income during the lease period. Further, the lease period is 12-years from December 2021 to November 2033 with a lock in of 5-years, this warrants adequate cash flows against repayment of debt obligations, the debt service coverage ratio is expected to be an average of 1.12 times through FY2023-25.

- **Comfortable coverage metrics:**

The debt coverage ratio of the RSIPPL through FY2023-25 is expected to be around 1.14-1.15 times, notwithstanding the proposed increase in debt levels for phase-2 going forward. RSIPPL's rentals are moderately leveraged with debt/rental ratio of 5.3 times as on June 2022. However, the rating draws comfort from the presence of escrow account, maintenance of debt service reserve account (DSRA) equivalent to 3-month of repayment obligations and cash sweeping mechanism when DSCR exceeds 1.3x.

Acuite believes the extent of increase in debt and its impact on the debt coverage indicators will remain a key rating sensitivity.

- **Experienced promoter and financial support:**

RSIPPL is Special purpose vehicle of RLIPL. Revanza Group is promoted by Sushil Lalwani. Revanza Industrial Parks offer manufacturing and logistics space for lease and provide built-to-suit facilities as per user specifications whereas Revanza Logistics Park feature quality amenities and infrastructure. Some of the common infrastructure facilities include storage systems, office space, property management services, water/energy/ waste treatment plants etc. The promoters through other group companies have adequate experience in the field. The developed properties include 1.0 million sq.ft at 3 locations Mahindra World City, Echankaranai, Gudapakkam and Sriperumbudur. In addition, the promoters have provided substantial support to RSIPPL by way of providing unsecured loans of ~Rs.48 Cr as on March 31, 2022. Acuite believes the company shall benefit from the promoters timely support and experience over the medium term.

Weaknesses

- **Exposure to tenant concentration risk and vacancy risk:**

The tenant concentration risk is high for Indutch occupies 100 percent of the manufactured facility. Further, the project construction is in accordance to the requirement of Indutch. In case of vacancy, entering into a fresh lease agreement with an alternative tenant can be difficult, since the facility has been customized to suit the requirements of Indutch or companies that are in similar line of business.

However, this risk is mitigated to some extent with a 12-year lease deed with Indutch including a 5-year lock in period. In addition, in the event of lease termination before the end of 5-years, the lessee shall be liable to pay rental for the balance period. Besides, Enercon Wind Energy Private Limited (Enercon) shall execute a fresh lease agreement with RSIPPL if the lease deed is discontinued before 12-years. Enercon is one of the major clients of Indutch.

- **Vulnerability to volatility in interest rates:**

The floating interest rate on debt exposes the company to fluctuation in interest rates. Although the cash flow will be able to absorb the impact of moderate fluctuations in interest

rates. With moderate increase in interest rate the DSCR is expected to be above 1. However, interest rate changes will remain rating sensitivity.

Rating Sensitivities

- Weakening of credit profile of Indutch.
- Deterioration in the coverage indicators due to volatility in interest rates or high debt funded capital expenditure.

Material covenants

- Cash sweep if DSCR > 1.3x.
- Loan to value < 60 percent.
- Maintenance of debt service reserve account (DSRA) equivalent to 3-month of repayment obligations.
- Borrower to maintain an escrow account. All the rentals shall be routed through escrow account only.

Liquidity Position: Adequate

The company has an adequate liquidity position with stable rental income, which provides comfortable coverage over the scheduled debt repayment obligation. The cash inflows are expected to be around Rs.18.03-19.25 Cr through FY2023-25 against repayment obligations of Rs.16.23-17.11 for the same period. RSIPPL has unencumbered cash and bank balance of Rs. 0.77 crore as on March 31, 2022. Further, it has DSRA (in form of FD) equivalent to three-month interest and principal obligation on HDFC loans, which provides additional liquidity support.

Outlook: Stable

Acuite believes that Indutch will maintain a 'Stable' outlook over the medium term due to the presence of a long-term lease agreement and strong credit profile of the tenant. The outlook may be revised to 'Positive' in case of early payment of its loan obligations while ensure adequate coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of delays in receiving lease rentals thereby impacting liquidity and deteriorating the financial flexibility.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.79	0.00
PAT	Rs. Cr.	(0.06)	(1.28)
PAT Margin	(%)	(8.16)	0.00
Total Debt/Tangible Net Worth	Times	(99.91)	(27.87)
PBDIT/Interest	Times	1.35	(9.22)

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History:**

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	41.54	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	7	Not available	79.06	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	8.75	Not available	21.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	8.75	Not available	8.40	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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