

Press Release

Revanza Sullurpet Industrial Parks Private Limited

April 05, 2023



Rating Reaffirmed

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

Rating Rationale

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

Rating Rationale

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, 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

- Experienced promoter and financial support

RSIPPL is Special purpose vehicle of RLPL. Revanza Group is promoted by Sushil Lalwani who has a relevant experience of more than 5 years. 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. Acuite believes the company shall benefit from the promoters timely support and experience over the medium term.

- **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, Muijil 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 1.29 times through FY2023-25.

- **Comfortable coverage metrics**

The debt coverage ratio of the RSIPPL through FY2023-25 is expected to be around 1.10-1.60 times. 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. Acuite believes the extent of increase in debt and its impact on the debt coverage indicators will remain a key rating sensitivity.

Weaknesses

- **Customer concentration risk in revenue receipts**

To serve the LRD loan, the company's revenues are entirely dependent on single customer i.e. Indutch. Acuite believes that any unprecedented stretch in receiving lease rental from Indutch is likely to impact RSIPPL's debt servicing ability. However, the risk is partially mitigated by the long-term agreement of 12 years and including a 5-year lock in period as per the lease agreement.

- **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

- 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.22.98-24.43 Cr through FY2023-25 against repayment obligations of Rs3.28-12.60 for the same period. RSIPPL has unencumbered cash and bank balance of Rs. 0.67 Cr as on March 31, 2022. Further, it has DSRA (in form of FD) equivalent to three-month interest and principal obligation on SBI loans, which provides additional liquidity support.

Outlook: Stable

Acuité 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.79	0.00
PAT	Rs. Cr.	(2.34)	(1.28)
PAT Margin	(%)	(294.94)	0.00
Total Debt/Tangible Net Worth	Times	(37.05)	(27.87)
PBDIT/Interest	Times	(3.79)	(9.22)

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Aug 2022	Term Loan	Long Term	8.40	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	21.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	41.54	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	79.06	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Lease Rental Discounting	Not Applicable	7	Not Applicable	Simple	130.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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