August 23, 2022

Mahindra Industrial Park Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term Loan	50.0	50.0	[ICRA]AA- (Stable); reaffirmed
Short-term – Fund-based	10.0	10.0	[ICRA]A1+; reaffirmed
Long-term/ Short-term – Unallocated	30.0	30.0	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Total	**90.0**	**90.0**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings of Mahindra Industrial Park Private Limited (MIPPL) continues to factor in the strong business profile and the established track record of its parent, Mahindra Lifespace Developers Limited (MLDL), which is the real estate and infrastructure development business of the Mahindra Group (flagship entity Mahindra & Mahindra Limited; rated [ICRA]AAA (Stable)/[ICRA]A1+). MLDL has an established brand and strong market position in the real estate sector. ICRA notes that as on March 31, 2022, out of MLDL's consolidated on-going portfolio of residential projects with saleable area of 4.04 million square feet (msf), nearly 68% is booked with a sales value of Rs. 1,847 crore and the balance receivables stood at Rs. 942 crore. This coupled with low reliance on debt resulted in a comfortable cashflow adequacy ratio[1] of 70%, as on March 31, 2022, for MLDL group. MLDL has a healthy financial risk profile, as reflected by a leverage (TD/FFO[2]) of below 2 times as on March 31, 2022, and an adequate liquidity position.

The ratings continue to factor in the expectation of high degree of support, if required, from MLDL to MIPPL, given the strategic importance, the common brand name and the management linkages with the special purpose vehicle (SPV). At present, MIPPL is developing an industrial park at Jansali near Ahmedabad. The project location offers good connectivity and is in proximity to industrial clients. International Financial Corporation (IFC) has made strategic investment in MIPPL to support the development of the project.

The ratings, however, are constrained by MIPPL's exposure to market risks as no sales has been booked in the industrial park till date. ICRA notes that the dependence on sales and collections over the near term is offset by the demand-linked construction phasing and availability of undrawn bank lines. The company is exposed to high geographical and asset concentration risks, which are is inherent in single project companies. Nonetheless, the ratings draw comfort from MLDL's the operational track record and its wide portfolio across various business segments and geographies in India.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that the company will be benefit from the established brand and financial flexibility from being part of the Mahindra Group.

Key rating drivers and their description

Credit strengths

Established track record of parent and strategic partner – MIPPL is a wholly owned subsidiary of MLDL, the real estate and infrastructure development business of the Mahindra Group. MLDL's development footprint spans 30 msf of completed,

[1] *Cashflow adequacy ratio = Committed receivables/ (Pending cost + Debt outstanding)*

[2] *TD = Total Debt; FFO = Fund Flow from Operations*

ongoing and forthcoming residential projects across seven Indian cities, and over 5,000 acres of ongoing and forthcoming projects under development/management at its integrated developments / industrial parks across four locations. In Q1 FY2023, MIPPL reported strong YoY growth in residential portfolio's sales and collection to Rs. 602 crore and Rs. 271 crore (compared to Rs. 145 crore and Rs. 204 crore in Q1 FY2022). MLDL's industrial leasing transactions also witnessed strong improvement to Rs. 298 crore in FY2022 and Rs. 118 crore in Q1 FY2023 compared to Rs. 117 crore in FY2021.

Strong financial profile of the parent company–ICRA notes that as on March 31, 2022, out of MLDL's consolidated on-going portfolio of residential projects of 4.04 msf, the group has booked as much as 68% of area with a sales value of Rs. 1,847 crore and balance committed receivables of Rs. 942 crore; this coupled with low reliance on debt results in a comfortable cashflow adequacy ratio of 70% for MLDL group. MLDL has a healthy financial risk profile, as reflected by a leverage (TD/FFO) of below 2 times as on March 31, 2022, and an adequate liquidity position. The rating factors in the expectation of high degree of support from MLDL to MIPPL given the strategic importance, the common brand name and the management linkages with the SPV.

Favourable project location – At present, MIPPL developing an industrial park. Located about 70 km from Ahmedabad in Western Gujarat, the industrial park will mainly consist of industries of various industrial clusters such as machine manufacturing, plastic moulding, textiles, packaging and light engineering ancillary industries. The site benefits from its good location, visible frontage and direct access to National Highway 47 (8A), along with proximity to industrial clients in Sanand area (58 km away). Further, the park is 77 km from Ahmedabad Airport, 60 km from Surendranagar station (Ahmedabad) and 280 km from Kandla Port, thereby offering good connectivity.

Credit challenges

Exposure to market risks – MIPPL is exposed to market risk as no sales has been booked in the industrial park till date. While the company has a strong pipeline of prospective customers, the conversion of the same into sales at adequate rates will be critical from the credit perspective. However, the Group's track record in selling and leasing around 2,131 acres of saleable / leasable area in various industrial parks as on March 31, 2022 provides comfort. As on March 31, 2022, the company has incurred 45% of the budgeted cost on the project. The demand-linked construction phasing and availability of undrawn bank lines (Rs. 35 crore as on March 31, 2022) offsets the dependence on sales and collections over the near term.

Geographical and asset concentration risk – This is a single project undertaken by MIPPL, thus the company is exposed to high geographical and asset concentration risks inherent in single project companies. However, ICRA draws comfort from the Group's diverse portfolio of over 5,000 acres of ongoing and forthcoming projects under development/management at its integrated developments / industrial parks across four locations.

Liquidity position: Adequate

The liquidity profile of the company is adequate. The company has Rs. 1.1 crore cash and liquid investments and Rs. 35 crore undrawn bank limits as on March 31, 2022. MLDL and its JV partner IFC have brought in 100% of the committed contribution, amounting to Rs 150 crore, in the project and further construction cost funding will be done from sales receivables. Quarterly repayments (Rs. 2.5 crore) which are scheduled to start from Q1 FY2024 are expected to be funded through the sales proceeds. The company's status as a subsidiary of MLDL also lends high financial flexibility.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if the project progresses on time without any major cost overruns, along with material ramp up in sales at adequate rates. An improvement in the credit profile of the parent (MLDL) will also be a credit positive.

Negative factors – Negative pressure on MIPPL's rating could arise for reasons including cost overruns or unforeseen delays in the completion of the project or considerable delays in sales and lower-than-expected rates. Further, a deterioration in the credit profile of the parent MLDL or any weakening of the linkages with the parent (MLDL) would also be credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group support	Parent/Group Company - Mahindra Lifespace Developers Limited (MLDL) For arriving at the ratings, ICRA has taken into account the expected support from MLDL to MIPPL, given the managerial, operational and financial linkages. Both MIPPL and MLDL also share a common brand name- Mahindra, which in ICRA's opinion would persuade the Group to provide necessary support to MIPPL.
Consolidation/Standalone	Standalone

About the company

Mahindra Industrial Park Private Limited (MIPPL), a wholly owned subsidiary of Mahindra Lifespace Developers Limited (MLDL), has acquired around 340 acres of contiguous land at Jansali near Ahmedabad for setting up an industrial park. The company has partnered with International Finance Corporation (IFC), a member of the World Bank Group for the development of the project at Jansali. The project will be marketed under the brand 'Origins by Mahindra World City'.

About the parent company

Mahindra Lifespace Developers Limited (MLDL), parent company of MIPPL, is the real estate and infrastructure development business of the Mahindra Group. MLDL's development footprint spans 30 msf of completed, ongoing and forthcoming residential projects across seven Indian cities, and over 5,000 acres of ongoing and forthcoming projects under development/management at its integrated developments / industrial parks across four locations. MLDL represents the Mahindra group's interest in real estate and is strategically important to the parent given its visibility and branding as a Mahindra venture.

Key financial indicators – MLDL (Parent Company)

MLDL Consolidated	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Audited)
Operating income (Rs. crore)	610.9	166.2	393.6
PAT (Rs. crore)	-170.1	-83.6	71.5
OPBDIT/OI (%)	-9.3%	-56.2%	-22.7%
PAT/OI (%)	-27.8%	-50.3%	18.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.5	0.6
Total debt/OPBDIT (times)	-4.2	-2.6	-3.2
Interest coverage (times)	-7.4	-8.5	-13.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Source: Company, ICRA Research

Key financial indicators – MIPPL

Not applicable as MIPPL is a project stage company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument**	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore; as on March 31, 2022)	Date & rating	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Aug 23, 2022	Jul 05, 2021	-	-
1	Long-term – Term Loan	Long Term	50.0	25.0	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-	-
2	Short-term – Fund-based	Short Term	10.0	-	[ICRA]A1+	[ICRA]A1+	-	-
3	Unallocated	Long Term/Short Term	30.0	-	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term Loan	Simple
Short-term – Fund-based	Simple
Unallocated	Not applicable

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 is available on ICRA's website: www.icra.in

Annexure I: Instrument details*

ISIN /Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Long-term – Term Loan	Jan 2020	-	FY2028	50.0	[ICRA]AA- (Stable)
-	Short-term – Fund-based	-	-	-	10.0	[ICRA]A1+
-	Long-term/ Short-term – Unallocated	-	-	-	30.0	[ICRA]AA- (Stable)/[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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