

March 06, 2025

Tex Value Mall Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term loan	95.00	[ICRA]BB (Stable); assigned
Total	95.00	

*Instrument details are provided in Annexure I

Rationale

The assigned rating for Tex Value Mall Private Limited (TVMPL) favourably factors in the experience and established track record of its promoters and moderate funding risks. Moreover, its debt funding requirement is already tied up towards the factory outlet mall project, providing further comfort. At present, TVMPL is developing a factory outlet shopping mall, named Tex Value Mall in Erode, Tamil Nadu, with a total leasable area of ~2.7 lakh square feet. The establishment is an extension of the entity's existing textile market complex, Texvalley. The total cost of the project is estimated to be ~Rs. 139 crore, funded through debt and equity in the ratio of 68:32. Besides, the funding risk remains moderate as the debt requirement has been tied up, and ~80% of the committed equity requirement for the project has already been infused as on January 31, 2025.

The rating is, however, constrained by the project's exposure to execution risks, as the Tex Value Mall project is in its construction phase. As on January 31, 2025, ~83% of the budgeted project cost of Rs. 109.4 crore toward Phase I has been incurred, and the construction for Phase II is budgeted at Rs. 29.7 crore, which is yet to commence. The scheduled Date of Commencement of Commercial Operations (DCCO) for Phase I is April 2025, and Phase II is January 2026, the timely completion of the projects without any time and cost overruns would remain a key monitorable. Following the completion of construction activities, the entity must lease the constructed units to generate rental cashflows. The company is also vulnerable to marketing risks as the project is located on the outskirts of Erode City, and the minimal pre-lease tie-up as of date. Timely infusion of equity/unsecured loans by the promoters towards supporting the debt servicing requirements would remain crucial until facilities are leased out to optimal levels. Further, TVMPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles and geographical and asset concentration risk, which are inherent to companies with a single project.

The Stable outlook on TVMPL's rating reflects ICRA's expectations of a healthy revenue growth, supported by the ramping-up of occupancy levels and improving debt coverage metrics.

Credit strengths

Track record of promoters in the textile and real estate/ construction sector – TVPML is promoted by industrialists with established experience in the textile and construction segments. Besides, the new factory outlet shopping mall constructed (Tex Value Mall) is an extension to the existing textile market complex (Texvalley) in Erode, Tamil Nadu. The experience of the promoters in executing similar kind of projects in the past is likely to support the execution and marketing of this project.

Moderate funding risk – The promoters have demonstrated their willingness to support TVMPL and have made an equity infusion of Rs. 35.4 crore until January 2025. The incremental equity infusion of Rs. 8.7 crore is expected in FY2026. ICRA understands that the promoters remain committed to supporting TVMPL through further fund infusions if required. Further, the Tex Value Mall project's funding risk is moderate, given the already tied-up debt and the infusion of ~80% of the committed equity requirement till January 2025. Further, as on January 31, 2025, based on Lender's Independent Engineer report, ~90%

of the overall construction work for Phase I has been completed and ~85% of the engineering work has been completed. The construction of Phase II is anticipated to commence in April 2025. ICRA notes that the rated facility has an escrow mechanism in place, requiring the entity to maintain a Debt Service Reserve Account (DSRA) from the DCCO, equivalent to three months of interest and principal repayment obligation during the entire loan tenure.

Credit challenges

Exposure to project execution and stabilisation risk – Being an under-construction project, the project remains exposed to project execution risks. The total cost of the project is estimated to be ~Rs. 139.1 crore and is planned to be constructed over two phases. As on January 31, 2025, cost to an extent of Rs. 91.3 crore had been incurred. Subsequent to the completion of construction activities, the company has to tie-up with tenant and lease the property, exposing the project to stabilisation and marketing risks.

High leverage and modest coverage metrics – A term debt of Rs. 75.0 crore availed for Phase I in FY2025 and further debt of Rs. 20.0 crore to be availed in FY2026 towards Phase II, leverage metrics are likely to be elevated and moderate over a medium term. Further, due to stabilisation-related factors and likely suboptimal occupancy levels in the initial years of operations are expected to result in lower profitability resulting in modest coverage indicators. Besides, the company's debt coverage indicators remain exposed to any decline in occupancy levels or increase in interest rates.

Exposure to risks related to finalisation of agreement and timely renewal of lease contract; vulnerability to external factors – TVMPL's revenues are exposed to risk related to the finalisation of the lease agreement for the newly constructed retail shops (92 retail shops) and multiplex in Tex Value Mall. Nevertheless, as of January 2025, the company has signed a Letter of Intent with ~20 retail brands and the majority of lease agreements are likely to be executed over the near term. However, its ability to ramp up its occupancy level in a timely and profitable manner remains to be seen. Further, TVMPL's revenues are exposed to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles.

Liquidity position: Stretched

The liquidity position of TVMPL is expected to be stretched until the stabilisation of operations. Until then, the entity remains dependent on promoters for debt servicing. Capital expenditure of ~Rs. 139 crore planned to be incurred across FY2025 and FY2026 is likely to be funded through a term loan of Rs. 95.0 crore and promoter's contribution. Till January 2025, the promoters have infused equity to an extent of Rs. 35.4 crore and availed debt of Rs. 49.6 crore towards the project. While principal repayment obligations are likely to commence from October 2025, interest repayment obligations have already started in November 2024. Further, it has debt servicing obligations of ~Rs. 4.8 crore in FY2026, which are likely to be met through estimated cash flow from operations.

Rating sensitivities

Positive factors – The rating may be upgraded, if there is a healthy and sustained increase in revenues and profitability, along with improvement in liquidity profile and debt protection metrics.

Negative factors – Pressure on the rating can arise in case of a delayed commencement of operations or lower occupancy levels affecting the entity's operating performance or any large debt-funded capex adversely impacting the liquidity and debt protection metrics.

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

Incorporated in December 2023, TVMPL is a closely held company started by Mr. P. Raajashekar, C. Devarajan, Mr. P. Periyaswamy and their family members for the construction and leasing of a factory retail outlet mall (Tex Value Mall), as an extension to the existing textile market complex at Erode, Tamil Nadu. At present, Tex Value Mall is being developed in two phases with a total leasable area of ~2.7 lakh sq. ft. Phase I of the mall involves the construction of 92 retail shops along with parking space, and Phase II is towards the construction of a multiplex. The DCCO for Phase I is April 2025, and for Phase II it is January 2026.

Key financial indicators (audited)

TVMPL	FY2024
Operating income	-
PAT	-
OPBDIT/OI	-
PAT/OI	-
Total outside liabilities/Tangible net worth (times)	0.0
Total debt/OPBDIT (times)	-
Interest coverage (times)	-

Source: Company, ICRA Research; 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 (FY2025)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022		
			Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Term Loan	Long Term	95.00	March 06, 2025	[ICRA]BB (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 loan I	Oct 2024	NA	March 2032	75.00	[ICRA]BB (Stable)
NA	Term loan II*	NA	NA	NA	20.00	[ICRA]BB (Stable)

Source: Company, *Term loan II is yet to be disbursed

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Annexure II: List of entities considered for consolidated analysis – Not applicable

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