January 30, 2025

Marudhamalai Industrial & Logistics Parks Private Limited: Placed on rating watch with developing implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	140.00	140.00	[ICRA]A+; Placed on Rating Watch with Developing Implications
Total	**140.00**	**140.00**	

**Instrument details are provided in Annexure-I*

Rationale

While assigning the rating, ICRA has taken a consolidated view of TVS Industrial & Logistics Parks Private Limited (TVSILP) and 12 special purpose vehicles (SPVs), which are fully owned by TVSILP. There exists a strong financial and management linkages among the various entities through TVSILP. Moreover, the cash fungibility exists between these entities, as the excess funds available at the SPVs are transferred to TVSILP, in form of repayment of advances given by TVSILP to its SPV for setting up of the projects, which infuses the funds into various subsidiaries to meet their funding requirements.

The rating for the bank facilities of TVSILP is placed on Watch with Developing Implications, given the likely changes in the company's business and financial profile, following the proposed transfer of majority of the operational assets housed under TVSILP and its SPVs to TVS Infrastructure Trust (rated provisional [ICRA]AAA (stable)) – a warehousing InvIT. As of September 2024, TVSILP, on a consolidated basis, had an operational portfolio of 8.9 million square feet (msf) of warehousing assets and under-construction portfolio of 2.5 msf of warehousing assets, of which 8.6 msf of operational assets and 2.0 msf of under-construction assets (with expected operationalisation by March 2025) is proposed to be transferred to the InvIT. TVSILP is proposed to be the sponsor as well as the manager of the InvIT and is expected to hold 35-45% of the InvIT's units and will be entitled to receipt of distribution income as mandated under the InvIT regulations. ICRA will monitor the developments pertaining to the InvIT formation and will take appropriate rating action after analysing the detailed impact on the consolidated business and financial profile of TVSILP.

The rating considers the healthy scale and geographical diversification of TVSILP's warehousing operations with presence across 19 locations in seven states, and healthy occupancy levels, which has supported steady rental generation. As on September 30, 2024, TVSILP, on a consolidated basis, had an operational warehousing capacity of 8.9 msf (7.4 msf as of September 2023) with robust occupancy at 100%. The rating factors in TVSILP's extensive experience, its established position in warehouse/logistics parks construction and leasing, the favourable location of its parks and the reputed client profile, which includes TVS Supply Chain Solutions, Flipkart, Alstom Transport, Amazon, Nestle India, Godrej & Boyce, Godrej Consumer, Indutch, Escorts Kubota, Transport Corporation of India, Prospira India Automotive Products, Varun Beverages, Crompton Greaves, Whirlpool, FS India among others, thus mitigating the credit risks associated with default in contractual obligations or vacancies leading from closure/shrinkage of client business.

The rating draws comfort from TVSILP's strong parentage, with ~25.2% stake held by the TVSSCS (part of TVS Mobility Group) as on September 30, 2024, and the associated financial and operational flexibility. As on September 30, 2024, 29.6% stake in TVSILP is held by Ravikumar Swaminathan & Associates, 21.1% stake is held by British International Investment (BII) and 21.0% is held by Lingotto Opportunity Fund ILP, which is an Ireland-based investment management company.

The rating is, however, constrained by its exposure to execution risk for the under-construction area of 2.5 msf, of which, 2.0 msf is expected to be completed by March 2025 while the balance 0.5 msf is expected to be completed by December 2025.

Although the company has healthy pre-leasing for around 0.8 msf of under-construction area, it is exposed to market risk for the balance under-construction and planned area. Nonetheless, the company's policy of proceeding with warehouse construction only after confirmation from its anchor customer mitigates the market risk to a large extent. The company's consolidated debt levels increased to Rs. 1,664.6 crore as of September 2024 from Rs. 1,219.0 crore as of September 2023, on account of new debt availed for funding the cost of the ongoing projects. Post transfer of assets to InvIT and consequent cash inflows, the leverage metrics is expected to improve materially with TVSILP likely to become net-debt free in the near term. However, in case the asset transfer to the InvIT gets deferred, given the increase in debt levels to fund the ongoing projects, the company's leverage levels are estimated to rise with Debt to annualised NOI of 8.2-8.4 times as on March 31, 2025 and the debt coverage metrics are moderate, with 5-year average DSCR at 1.15-1.18 times during FY2025-2029. Going forward, timely monetisation of operational warehouse assets and trajectory of leverage metrics remains a key monitorable.

Post commencement of rentals from the under-construction assets, the leverage (Debt to annualised NOI) is expected to improve to 6.5-6.7 times as on March 31, 2026, with 5-year average DSCR at 1.18-1.21 times during FY2026-2030. TVSILP's ability to timely operationalise these projects at adequate rental rates is critical for improving its leverage and coverage metrics. The rating remains sensitive to any further large debt-funded expansion/acquisitions, adversely impacting its credit profile. The company has a Rs. 200 crore of corporate loan, at a standalone level, which has a maturity in FY2026, exposing it to refinancing risk. The InvIT proceeds will be used for repayment of the above debt. In absence of the InvIT formation, the same would likely be refinanced by raising additional LRDs against the operational assets. The company does not have any construction finance loans and plans to fund the new warehouse development primarily through lease rental discounting (LRD) loans, which are backed by rentals against the leased area from operating assets. The debt coverage metrics remain sensitive to any material changes in interest rates.

TVSILP is exposed to tenant concentration risk with top five tenants occupying ~61% of the total leased area as of September 2024. Further, the weighted average lease expiry (WALE) for the current leased area of 8.9 msf is 5.3 years compared to the remaining debt maturity of around 13 years, thereby exposing it to lease renewal risk. However, the healthy occupancy on a sustained basis, the reputed tenant profile, established relationships with reputed tenants, its demonstrated track record of renewal/addition of leases, resulting in a demonstrated track record of maintaining healthy occupancy levels in the past and assets being used by majority of tenants for strategic purpose mitigate the tenant concentration and lease renewal risks to an extent.

Key rating drivers and their description

Credit strengths

Healthy scale of operations and asset diversification while maintaining high occupancy – As on September 30, 2024, TVSILP, on a consolidated basis, had an operational warehousing capacity of 8.9 msf (7.4 msf as of September 2023) with robust occupancy at 100%. TVSILP has a diversified geographical presence with its operational warehousing assets spread across 19 different locations in 7 states. The company is looking to expand in the existing locations and start operations at new locations through its under-construction and planned capacities.

Reputed tenant profile – The assets are leased to reputed tenants across locations. The reputed tenant profile includes TVS Supply Chain Solutions, Flipkart, Alstom Transport, Amazon, Nestle India, Godrej & Boyce, Godrej Consumer, Indutch, Escorts Kubota, Transport Corporation of India, Prospira India Automotive Products, Varun Beverages, Crompton Greaves, Whirlpool, FS India, among others, thus mitigating the credit risks associated with default in contractual obligations or vacancies from closure/shrinkage of client business.

Strong parentage with financial and operational flexibility as part of Group – The TVS Mobility Group is an automotive conglomerate, comprising companies involved in providing premium automobile solutions, serving as a total resource for independent service centres, dealerships, fleets and aftermarket, among others. As on September 30, 2024, TVSSCS and Ravikumar Swaminathan & Associates hold 25.2% and 29.6% stake, respectively, while BII holds ~21.1% and Lingotto

Opportunity Fund ILP holds ~21.0% stake. However, the management control continues with the existing shareholders, i.e., prior to funds infusion by BII. Being a part of the TVS Mobility Group, TVSILP enjoys an established and reputed brand name, along with significant financial and operational flexibility.

Credit challenges

Moderate debt coverage metrics – The company's consolidated debt levels increased to Rs. 1,664.6 crore as of September 2024 from Rs. 1,219.0 crore as of September 2023, on account of new debt availed for funding the cost of ongoing projects. Post transfer of assets to InvIT and consequent cash inflows, the leverage metrics are expected to improve materially with TVSILP likely to become net debt free in the near term. However, in case the asset transfer to InvIT gets deferred, given the increase in debt levels to fund the ongoing projects, the company's leverage levels are estimated to rise with Debt to annualised NOI of 8.2-8.4 times as on March 31, 2025 and the debt coverage metrics are moderate, with 5-year average DSCR at 1.15-1.18 times during FY2025-2029. Going forward, timely monetisation of operational warehouse assets and trajectory of leverage metrics remains a key monitorable. Post commencement of rentals from the under-construction assets, the leverage (Debt to annualised NOI) is expected to improve to 6.5-6.7 times as on March 31, 2026, with 5-year average DSCR at 1.18-1.21 times during FY2026-FY2030. TVSILP's ability to timely operationalise these projects at adequate rental rates is critical for improving its leverage and coverage metrics. The rating remains sensitive to any further large debt-funded expansion/acquisitions, adversely impacting its credit profile. The company has a Rs. 200 crore of corporate loan, at the standalone level, which has a maturity in FY2026, exposing it to refinancing risk. The InvIT proceeds will be used for repayment of the above debt. In absence of the InvIT formation, the same would likely be refinanced by raising additional LRDs against the operational assets.

Project execution risk with plans to set up additional space over medium term – TVSILP is exposed to execution risk for the under-construction area of 2. 5 msf, of which, 2.0 msf is expected to be completed by March 2025 while the balance 0.5 msf is expected to be completed by December 2025. Although the company has healthy pre-leasing for around 0.8 msf of under-construction area, it is exposed to market risk for the balance under-construction and planned area. However, its policy of proceeding with warehouse construction only after confirmation from its anchor customer mitigates the market risk to a large extent. TVSILP's ability to timely operationalise these projects, at adequate rental rates, is critical for improving its leverage and coverage metrics.

Exposed to tenant concentration and lease renewal risks – TVSILP is exposed to tenant concentration risk with top five tenants occupying ~61% of the total leased area as of September 2024. Further, the WALE for the current leased area of 8.9 msf is 5.3 years compared to the remaining debt maturity of around 13 years, thereby exposing it to lease renewal risk. However, the healthy occupancy, on a sustained basis, the reputed tenant profile, established relationships with reputed tenants, its demonstrated track record of renewal/addition of leases, resulting in a demonstrated track record of maintaining healthy occupancy levels in the past and assets being used by majority of tenants for strategic purpose mitigate the tenant concentration and lease renewal risks to an extent.

Liquidity position: Adequate

The company's consolidated liquidity position is adequate. As on September 30, 2024, TVSILP had an unencumbered cash balance and liquid investments of Rs. 168 crore, which along with the expected security deposits and internal accruals are likely to be sufficient to meet the pending cost of Rs. 207.1 crore for its under-construction assets as of September 2024. The cash flow from operations from the existing leases is sufficient for the scheduled LRD repayment obligations.

Rating sensitivities

Positive factors – The rating watch would be resolved once more clarity emerges on the InvIT formation and subsequent transfer of assets from TVSILP to InvIT.

Negative factors – The rating watch would be resolved once more clarity emerges on the InvIT formation and subsequent transfer of assets from TVSILP to InvIT. The rating may be downgraded in case of a rise in vacancy levels or/and significant increase in indebtedness leading to weakening of the financial risk profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	While assigning the rating, ICRA has taken a consolidated view of TVS Industrial & Logistics Parks Private Limited (TVSILP) and 12 SPVs, which are fully owned by TVSILP. There exists financial and management linkages among the various entities through TVSILP. The excess funds available at the SPVs are transferred to TVSILP, which in turn infuses the funds in various subsidiaries for funding requirements. ICRA has considered the consolidated financials of TVSILP. As on September 30, 2024, the company had 12 SPVs, that are enlisted in Annexure II.

About the company

Marudhamalai Industrial & Logistics Parks Private Limited was incorporated in August 2018 as a wholly-owned subsidiary of TVSILP. It provides industrial infrastructure and warehousing solutions. It has operational warehouse assets withleasable area of ~1.0 msf at Coimbatore (Tamil Nadu)

TVS Industrial & Logistics Parks Private Limited, was set up in 2005 as a 50:50 JV between TVSSCS, and Ravikumar Swaminathan & Associates. As on September 30, 2024, TVSSCS holds ~25.2% stake, while 29.6% is held by Ravikumar Swaminathan & Associates, ~21.1% by BII and ~21.0% is held by Lingotto Opportunity Fund ILP. The remaining stake is held by individuals. TVSILP creates industrial infrastructure facilities such as industrial and warehouse buildings, and logistics infrastructure parks.

Key financial indicators (audited)

TVSILP (Consolidated)	FY2023	FY2024
Operating income	143.9	176.2
PAT	15.4	17.0
OPBDIT/OI	74.2%	76.4%
PAT/OI	10.7%	9.7%
Total outside liabilities/Tangible net worth (times)	3.3	4.0
Total debt/OPBDIT (times)	9.5	10.1
Interest coverage (times)	1.8	1.6

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: A Member of the Board of Directors of ICRA Limited – Mr. Palamadai Sundararjan Jayakumar, is also an Independent Director on the Board of Directors of TVSILP. This Director was not involved in any of the discussions and processes related to the rating of the instrument(s) mentioned herein.

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	30-JAN-2025	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	140.00	[ICRA]A+ Rating Watch with Developing Implications	30-OCT-2023	[ICRA]A+ (Stable)	13-JUL-2022	[ICRA]A+ (Stable)	14-APR-2021	[ICRA]A (Stable)
			-	-	-	12-AUG-2022	[ICRA]A+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	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	Jan-22	NA	Mar-37	140.00	[ICRA]A+ Rating Watch with Developing Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA]

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach
Jagannath Logistics & Industrial Parks Private Limited	100.0%	Full Consolidation
Maragathammbal Industrial and Logistics Park Private Limited	100.0%	Full Consolidation
Marudhamalai Industrial & Logistics Parks Private Limited	100.0%	Full Consolidation
Siruvapuri Murugan Industrial and Logistics Private Limited	100.0%	Full Consolidation
Kamakhya Industrial & Logistics Parks Private Limited	100.0%	Full Consolidation
Sri Meenatchi Industrial and Logistics Park Private Limited	100.0%	Full Consolidation
Tarkeshwar Industrial and Logistics Parks Private Limited	100.0%	Full Consolidation
TVS Infrastructure Investment Manager Private Limited (formerly Mahaveer Industrial and Logistics Parks Private Limited)	100.0%	Full Consolidation
Durgeshwari Industrial and Logistics Parks Private Limited	100.0%	Full Consolidation
Revanza Sullurpet Industrial Parks Private Limited	100.0%	Full Consolidation
Ramanujam Industrial and Logistics Parks Private Limited	100.0%	Full Consolidation
Presidency Barter Private Limited	100.0%	Full Consolidation

**As on September 30, 2024, Source: Company data, ICRA Research*

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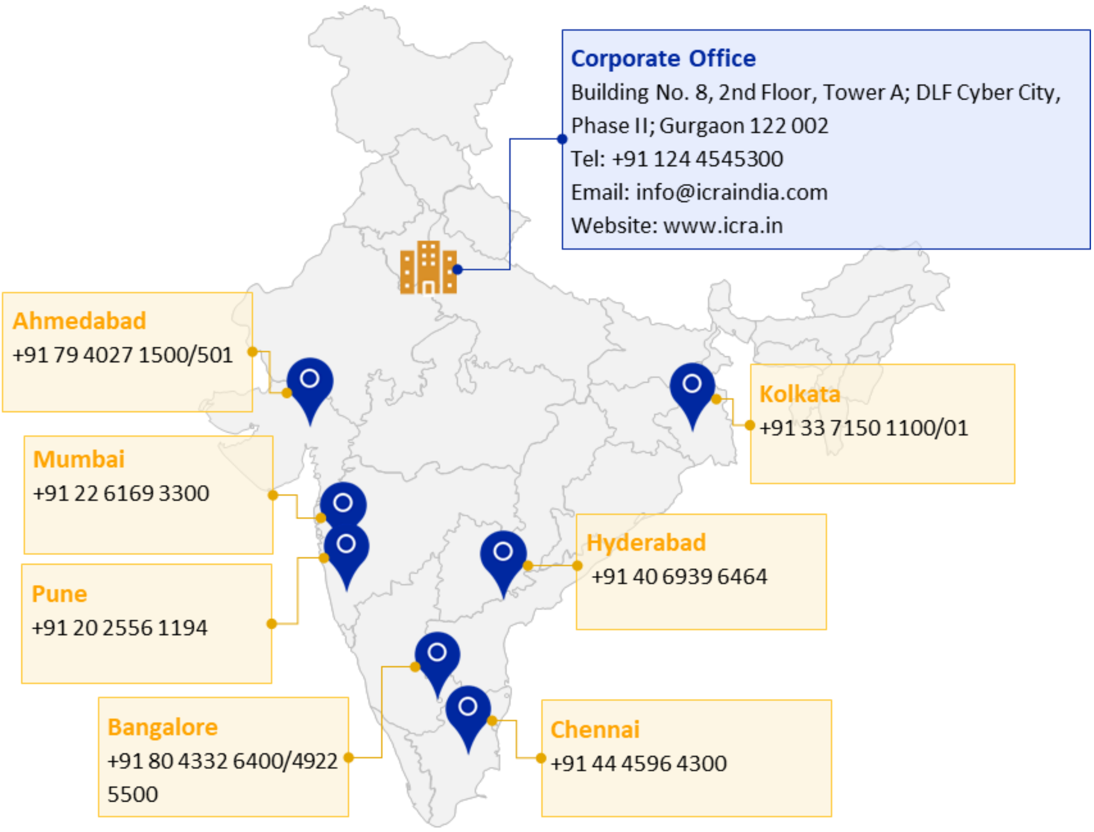

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