

January 24, 2025

TVS Infrastructure Trust: Provisional [ICRA]AAA(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action^
Issuer rating	-	Provisional [ICRA]AAA (Stable); Assigned
Total	-	

*Instrument details are provided in Annexure-I

^ The rating assigned is provisional as of now and is subject to the fulfilment and review of all pending actions/ documentation. The final rating may differ from the provisional rating in case the completed actions/ documentation is not in line with ICRA's expectations.

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The rating assigned to TVS Infrastructure Trust (Trust/InvIT) is not a comment on the Trust's ability to meet distribution/dividend payouts to unitholders/investors, neither should it be construed as an opinion on the debt servicing ability of the individual project assets or special purpose vehicles (SPVs) held by the Trust. TVS Infrastructure Trust is proposed to be sponsored by TVS Industrial and Logistics Parks Private Limited (TVSILP), a part of TVS Mobility Group, which develops industrial and warehouse buildings as well as logistics infrastructure parks. TVSILP is also proposed to act as the project manager, while TVS Infrastructure Investment Manager Private Limited (TVSIIM) is proposed to be the investment manager for the InvIT. ICRA has undertaken a consolidated financial analysis of 10 SPVs proposed to be housed under the Trust. It comprises Durgeshwari Industrial & Logistics Parks Private Limited, Maragathammbal Industrial and Logistics Parks Private Limited, Marudhamalai Industrial & Logistics Parks Private Limited, Siruvapuri Murugan Industrial and Logistics Private Limited, Revanza Sullurpet Industrial Parks Private Limited, Sri Meenatchi Industrial and Logistics Parks Private Limited, Ramanujar Industrial & Logistics Parks Private Limited, Tarkeshwar Industrial & Logistics Parks Private Limited and Jagannath Industrial & Logistics Parks Private Limited and Presidency Barter Private Limited. These 10 SPVs have warehousing assets across 17 locations with a total leasable area of 10.6 million square feet (msf).

The assigned rating factors in the Trust's strong business profile, supported by its strategically diversified portfolio of completed Grade-A warehousing parks with presence across 17 locations in five states, strong occupancy levels and reputed tenants having healthy credit profiles. The rating draws comfort from the comfortable leverage and strong debt coverage metrics estimated for the InvIT. The initial loan to asset value (LTV) is expected to be around 30% at the time of InvIT listing and is projected to remain within 30-35% in the short to medium term. ICRA notes that the debt at the SPV level will be refinanced at the InvIT level, with a longer tenure, thereby resulting in robust the coverage metrics with debt service coverage ratio (DSCR) likely to remain above 2.0 times over the debt tenure, providing ample cushion in case of temporary moderation in occupancy levels, if any.

As on September 30, 2024, the InvIT's operational portfolio (forming part of the proposed leasable portfolio of about 10.6 msf) stood at 8.6 msf, which was fully occupied. Another 2.0 msf (42% pre-leased as of September 2024) was under construction with targeted operationalisation by March 2025. Consequently, at the time of InvIT listing, the Trust is likely to have a portfolio of around 10.6 msf of operational warehousing parks. 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 amongst others. The

Trust's proposed sponsor - TVSILP has an established position in the domestic warehousing industry, with an extensive track record of constructing, leasing and operating warehousing parks across multiple locations.

The rating draws comfort from the SEBI InvIT regulations that restrict¹ the aggregate consolidated borrowings and deferred payments for the InvIT and its SPVs, thereby limiting the leverage and under-construction portfolio that can be undertaken by the Trust. Post listing, the InvIT is expected to have an external debt of ~Rs. 875-900 crore, with an expected 20-year tenure and an amortising repayment schedule. As per ICRA's base case scenario, the leverage as measured by debt to net operating income (Debt to NOI) ratio is estimated to be around 3.7-3.9 times as of March 2026, while the debt coverage indicators are likely to be strong with a 5-year average DSCR of 2.45-2.50 times during FY2026-FY2030.

The Trust, however, remains exposed to tenant concentration risk with top five tenants occupying ~63% of the total leased area as of September 2024. Further, the weighted average lease expiry (WALE) for the leased area of 8.6 msf (as of September 2024) is 5.3 years compared to the expected debt maturity of around 20 years, thereby exposing it to the lease renewal risk. Nevertheless, this risk is mitigated to an extent by the sponsor's established relationship with reputed tenants and its demonstrated track record of renewal/addition of leases, resulting in a demonstrated track record of maintaining healthy occupancy levels in the past. The debt coverage metrics remain vulnerable to any changes in interest rates. The rating also remains exposed to the possible increase in leverage due to any large potential future debt-funded acquisitions. However, the regulatory restriction on leverage and under-construction portfolio will mitigate the risk to some extent.

The Stable outlook reflects ICRA's expectations that the Trust will be able to generate steady cash flows from a well-diversified pool of warehouses, maintain robust occupancy levels from reputed tenants across its operational warehouses with a comfortable leverage and strong debt coverage metrics.

Key rating drivers and their description

Credit strengths

Established track record of sponsor and InvIT project manager – The Trust's sponsor and the manager (TVSILP) has an established position in the domestic warehousing industry, with an extensive track record of constructing, leasing and operating warehousing parks across multiple locations. TVSILP is a part of the TVS Mobility Group, 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. TVSILP was a joint venture (JV) between TVSSCS, the Group's logistics arm, and Ravikumar Swaminathan & Associates. As on September 30, 2024, TVS Supply Chain Solutions holds 25.2% stake in TVSILP, 29.6% stake is held by Ravikumar Swaminathan & Associates, 21.1% stake is held by BII and 21.0% is held by Lingotto Opportunity Fund ILP, which is an Ireland-based investment management company. Being a part of the TVS Mobility Group, TVSILP enjoys an established and reputed brand name, along with significant financial and operational flexibility.

Robust occupancy, healthy asset diversification and reputed tenant profile – The warehousing operations of the Trust are diversified with presence across 17 locations in five states, and healthy occupancy levels, which is expected to support steady rental generation. The initial Trust portfolio is likely to comprise around 10.6 msf of warehousing and industrial as well as logistics parks. As on September 30, 2024, the InvIT's operational portfolio stood at 8.6 msf, which was fully occupied. Another 2.0 msf (42% pre-leased as of September 2024) was under construction with expected operationalisation by March 2025. Consequently, at the time of InvIT listing, the Trust is likely to have a portfolio of around 10.6 msf of operational warehousing parks. The reputed tenant profile includes TVS Supply Chain Solutions, Flipkart, Alstom Transport, Amazon, Nestle India, Godrej

¹ For InvIT, SEBI permits leverage up to 49% of the value of its assets

& Boyce, Godrej Consumer, Indutch, Escorts Kubota, Transport Corporation of India, Prospira India Automotive Products, Varun Beverages, Crompton Greaves, Whirlpool, FS India amongst others.

Comfortable leverage and strong debt coverage indicators estimated for the Trust – The initial LTV is expected to be around 30% at the time of InvIT listing and is likely to remain within 30-35% in the short to medium term. ICRA notes that the debt at the SPV level will be refinanced at the InvIT level, with a longer tenure, thereby resulting in robust coverage metrics with DSCR likely to remain above 2.0 times over the debt tenure, providing ample cushion in case of temporary moderation in occupancy levels, if any. The rating draws comfort from the SEBI InvIT regulations that restrict² the aggregate consolidated borrowings and deferred payments for the InvIT and its SPVs, thereby limiting the leverage and under-construction portfolio that can be undertaken by the Trust. Post listing, the InvIT is expected to have an external debt of ~Rs. 875-900 crore, with an expected 20-year tenure and an amortising repayment schedule. As per ICRA's base case scenario, the leverage as measured by Debt to NOI ratio is estimated to be around 3.7-3.9 times as of March 2026, while the debt coverage indicators are expected to be strong with a 5-year average DSCR of 2.45-2.50 times during FY2026-FY2030.

Credit challenges

Exposure to future acquisition by the Trust and its funding pattern – The leverage of the Trust would be dependent on the funding pattern for future acquisitions and would remain a key rating monitorable. If the Trust acquires any other asset or raises any additional debt in the future, ICRA will at that juncture, evaluate the impact of the same on the ratings. However, ICRA draws comfort from the management's strategy that the new acquisition would be funded such that the overall leverage remains comfortable.

Exposed to tenant concentration and lease renewal risks – The Trust is exposed to tenant concentration risk with top five tenants occupying ~63% of the total leased area as of September 2024. Further, the WALE for the leased area of 8.6 msf (as of September 2024) is 5.3 years compared to the expected debt maturity of around 20 years, thereby exposing it to the lease renewal risk. Nevertheless, this risk is mitigated to an extent by the sponsor's established relationship with reputed tenants and its demonstrated track record of renewal/addition of leases, resulting in a demonstrated track record of maintaining healthy occupancy levels in the past.

Liquidity position: Adequate

The liquidity position of the Trust will be supported by stable rental income from the underlying assets and low operational expenditure in the leasing business. The healthy cash flow from operations will be comfortable to cover the debt servicing obligations.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Material decline in occupancy leading to moderation in debt protection metrics may lead to downgrade in rating. Further, higher-than-anticipated borrowings that result in Total Debt/NOI of higher than 4.5 times on a sustained basis could lead to a rating downgrade.

² For InvIT, SEBI permits leverage upto 49% of the value of its assets

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Infrastructure Investment Trusts (InvITs) Real Estate Investment Trusts (REITs) Policy on Provisional Ratings
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the combined financials of the issuer (list of entities in Annexure II)

Pending actions/documents required to be completed for conversion of provisional rating into final

The rating assigned is provisional as of now (as denoted by the prefix Provisional before the rating symbol) and is subject to the transfer of designated entities to the Trust and raising of the proposed unit capital. The assigned rating is provisional and would be converted into final upon:

- Transfer of the 10 entities (which are part of initial asset portfolio) to the Trust. These entities are:
 1. Durgeshwari Industrial & Logistics Parks Private Limited
 2. Maragathammbal Industrial and Logistics Parks Private Limited
 3. Marudhamalai Industrial & Logistics Parks Private Limited
 4. Siruvapuri Murugan Industrial and Logistics Private Limited
 5. Revanza Sullurpet Industrial Parks Private Limited
 6. Sri Meenatchi Industrial and Logistics Parks Private Limited
 7. Ramanujar Industrial & Logistics Parks Private Limited
 8. Tarkeshwar Industrial & Logistics Parks Private Limited
 9. Jagannath Industrial & Logistics Parks Private Limited
 10. Presidency Barter Private Limited
- Issuance of unit capital by Trust in line with the proposed capital structure. Post the issuance of units, and planned debt raising by Trust, ICRA estimates that the consolidated debt to enterprise value of the Trust to be around 30%.

The provisional rating indicates the final rating that is likely to be assigned to the Trust after the completion of the pending items mentioned above, ceteris paribus.

Validity of the provisional rating

The validity period shall be computed from the completion date of fundraising and the issuance of units by the Trust. The validity period shall be of 90 days along with the possibility to extend it by up to a further of 90 days on a case-to-case basis. In no circumstance shall the validity of provisional rating be extended beyond 180 days from the date of issuance of units by the Trust. For further details refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

If neither the pending actions/ documents nor the availing of the borrowing facilities is completed after one year of assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance of units by the Trust, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at www.icra.in

About the Trust

TVS Infrastructure Trust was incorporated on March 26, 2024. The Trust is proposed to be a private listed InvIT and is expected to have a portfolio of 10.6 msf of operational warehousing and industrial parks spread across 17 locations in India. TVSILP is proposed to act as the sponsor and project manager for the Trust. TVSIIM is proposed to act as the Investment Manager for the Trust.

Key financial indicators

Key financial indicators are not applicable as TVS Infrastructure Trust is a recently formed entity.

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 the proposed InvIT's sponsor - TVS Industrial & Logistics Parks Private Limited and manager - TVSIIM. 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)	24-JAN-2025	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long Term	-	Provisional [ICRA]AAA (Stable)	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Issuer rating	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 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	Issuer rating	NA	NA	NA	-	Provisional [ICRA]AAA (Stable)

Source: Company

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Durgeshwari Industrial & Logistics Parks Private Limited	100.00%	Full Consolidation
Maragathammbal Industrial and Logistics Parks Private Limited	100.00%	Full Consolidation
Marudhamalai Industrial & Logistics Parks Private Limited	100.00%	Full Consolidation
Siruvapuri Murugan Industrial and Logistics Private Limited	100.00%	Full Consolidation
Revanza Sullurpet Industrial Parks Private Limited	100.00%	Full Consolidation
Sri Meenatchi Industrial and Logistics Parks Private Limited	100.00%	Full Consolidation
Ramanujar Industrial & Logistics Parks Private Limited	100.00%	Full Consolidation
Tarkeshwar Industrial & Logistics Parks Private Limited	100.00%	Full Consolidation
Jagannath Industrial & Logistics Parks Private Limited	100.00%	Full Consolidation
Presidency Barter Private Limited	100.00%	Full Consolidation

Source: Company; ICRA Research

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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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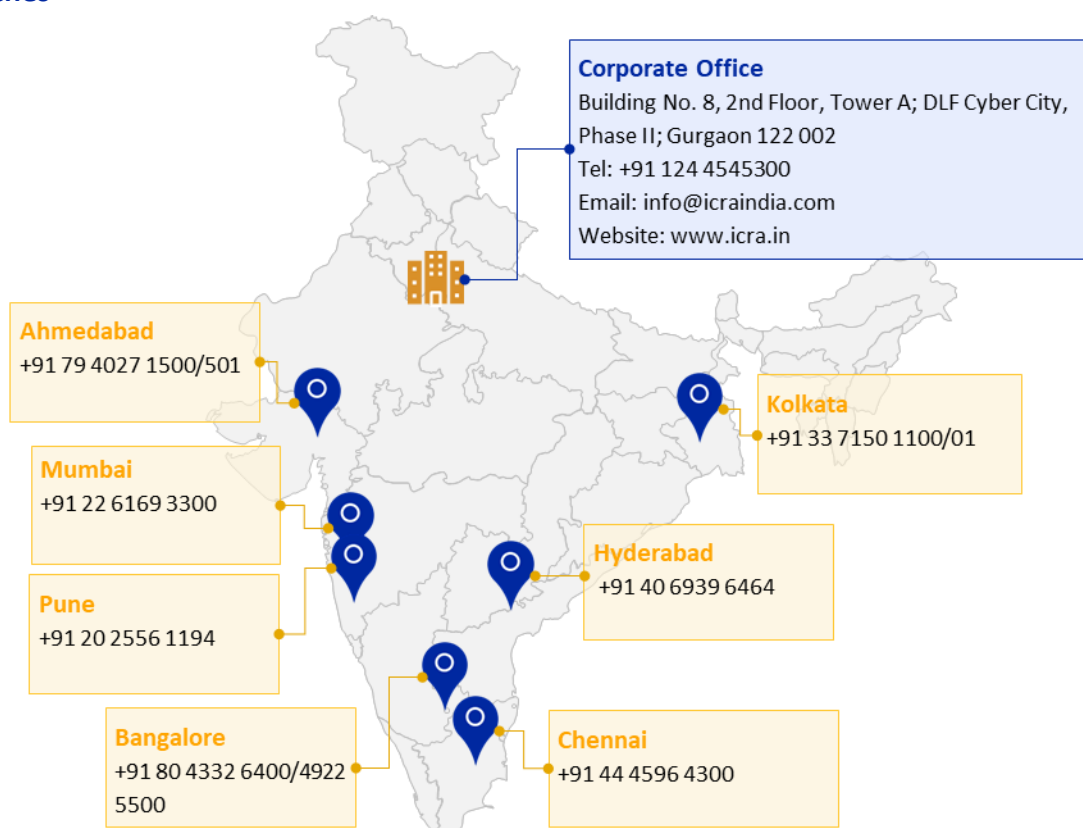


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