January 30, 2023

PM Infrastructure Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term-term loan	72.38	72.38	[ICRA]BB (Stable); reaffirmed
Long-term unallocated	4.62	4.62	[ICRA]BB (Stable); reaffirmed
Total	**77.00**	**77.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in PM Infrastructure Private Limited's (PMIPL) reputed tenant profile consisting of global automotive players, which mitigates the counterparty risk. The rating notes 100% occupancy in the company's assets, which provides steady rental inflow and favorable location of its warehouses in Bidadi Industrial Area (Karnataka) in vicinity to various industrial establishments and long tenure of leases, ranging from 10 to 15 years, offers long-term revenue visibility and lower vacancy risks.

The rating is, however, constrained by an increase in the leverage, with Total debt/NOI estimated at 7.1 times as of March 2023 from 4.9 times as of March 2022 due to elevated debt levels by 80% to Rs. 125 crore for the future expansion and moderation in debt coverage metrics, with adjusted debt servicing coverage ratio (DSCR)[1] of 1.08 times in FY2023 (PY: 1.58 times). Further, it reported liquidity of Rs. 50 crore as on December 31, 2022. The rating continues to remain constrained by PMIPL's modest scale of operations, with an operating income (OI) of Rs. 14.3 crore in FY2022 and its exposure to tenant and asset concentration risks, as the entire warehousing space is occupied by only three tenants and the company draws revenues from a single asset located in Bidadi Industrial Area. Additionally, the rating is constrained by the significant loans and advances of Rs. 78 crore in FY2022 provided by PMIPL to Group companies. The nature and scale of future advances extended to the Group companies will remain a key monitorable. Further, it is currently undertaking a capex programme for expansion of warehousing space, which will expose it to funding, marketing and execution risks. The impact of the proposed capex plan on its debt protection metrics and liquidity position will be a key monitorable.

The Stable outlook reflects ICRA's expectation that the growth in rentals from leased out space will remain stable with steady escalations, which along with the steady interest income, will support the debt coverage metrics.

Key rating drivers and their description

Credit strengths

Reputed tenant profile consisting of global automotive players – The company's key tenants- Faurecia Emission Control Technologies India Private Limited (FECTIPL), Urban Ladder Home Décor Solutions Private Limited (ULHDSPL) and Toyotetsu India Auto Parts Pvt Ltd (TIAPPL)- are well established and reputed players in the respective industries, which mitigates the counterparty risk.

100% occupancy of the company's assets – The company's warehouse currently comprises 5.28 lakh square feet of leasable area, which is 100% occupied by three tenants Faurecia Emission Control Technologies India Private Limited (FECTIPL), Urban

[1] *Adjusted DSCR=(Operating surplus +Interest income)/(P+I)*

Ladder Home Décor Solutions Private Limited (ULHDSPL) and Toyotetsu India Auto Parts Pvt Ltd (TIAPPL), which provides steady rental inflow.

Favourable location of warehouse and long tenure of lease – The location of the commercial property is in Bidadi Industrial Area, in which multiple auto OEMs, food and beverage firms, and logistic firms are present. It enjoys the advantages of a well-developed industrial area with good connectivity. The leases have a longer lease tenure, ranging from 10-15 years with healthy increase in the rental rates which provides long-term revenue visibility and lower vacancy risks.

Credit challenge

Increase in leverage resulting in deterioration of debt protection metrics – The company's Total debt/NOI is estimated at 7.1 times as of March 2023 against 4.9 times as of March 2022 due to an increase in debt by 80% to Rs. 125 crore for the future expansion and moderation in debt coverage metric, with adjusted DSCR of 1.08 times in FY2023 (PY: 1.58 times).

Modest scale of operations and exposure to tenant as well as asset concentration risks – PMIPL's scale of operations is modest as reflected by an OI of Rs. 14.3 crore in FY2022 (PY: Rs. 12 crore). The entire leasable area of 5.28 lakh square feet is occupied by three tenants. Therefore, the tenant concentration remains high (39% area leased to the top tenant). Additionally, the company draws revenue from a single property, exposing it to asset concentration risk.

Significant loans and advances extended to group companies – The company has provided loans and advances to Group companies amounting to Rs. 78 crore as of March 2022 increased from Rs. 67 crore as of March 2021 for expansion activities. The nature and scale of future advances extended to the Group companies will remain a key monitorable.

Exposed to funding, marketing and execution risks – The company is currently implementing a capex programme for expansion of warehousing space, which will expose it to funding, marketing and execution risks. The impact of the proposed capex plan on its debt protection metrics and liquidity position will be a key monitorable.

Liquidity position: Adequate

The company's liquidity position is adequate, with cash and equivalents of Rs. 50 crore as on December 31, 2022. Additionally, the adjusted DSCR is expected to be 1.08 times in FY2023, reflecting adequate accrual generation for servicing its debt obligations. Further, PMIPL has sufficient liquidity to support any shortfall in operating cash flows.

Rating sensitivities

Positive factors – ICRA may upgrade PMIPL's rating in case of significant and sustainable growth in scale of operations, along with improvement in debt protection metrics and liquidity position, while maintaining comfortable profitability margin.

Negative factors – Pressure on PMIPL's rating may arise if there is a decline in occupancy or lease rates of the company's warehouses, resulting in reduction in OI and deterioration in debt coverage metrics. Additionally, higher-than-anticipated debt-funded capital expenditure, which results in deterioration in debt coverage metrics or liquidity position may result in a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology Lease Rental Discounting (LRD)
Parent/group support	Not applicable
Consolidation/standalone	Standalone

About the company

PM Infrastructure Private Limited (PMIPL) was incorporated in 2006 with the object of taking up various infrastructure projects in the field of warehousing and logistics in the outskirts of Bangalore. The company owns 26 acres of land in Bidadi Industrial Area, Bangalore, where it has constructed warehouses for 5.28 lakh sq. ft of area and leased it out to Faurecia Emission Control Technologies India Private Limited, Urban Ladder Home Décor Solutions Private Limited and Toyotetsu India Auto Parts Pvt. Ltd. PMIPL is a part of the PM Group of Companies, which is involved in diverse range of businesses.

Key financial indicators

PMIPL Standalone	FY2021 (Audited)	FY2022 (Audited)
Operating income (Rs. crore)	12.0	14.3
PAT (Rs. crore)	5.6	6.1
OPBDIT/OI (%)	91.7%	93.7%
PAT/OI (%)	46.8%	42.3%
Total outside liabilities/Tangible net worth (times)	1.52	1.32
Total debt/OPBDIT (times)	6.63	5.14
Interest coverage (times)	1.73	2.30

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	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on October 31, 2022 (Rs. crore)	Date & Rating on	FY2022	FY2021	FY2019
					January 30, 2023	October 29, 2021	July 02, 2020	Feb 20, 2019
1	**Term loan**	Long-term	72.38	124.3	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)
2	**Unallocated**	Long-term	4.62	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based – Term loan	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 available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2022	-	FY2037	72.38	[ICRA]BB (Stable)
NA	Unallocated limits		-	-	4.62	[ICRA]BB (Stable)

Source: PMIPL and ICRA

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.

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