November 24, 2023

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 for Mahindra Industrial Park Private Limited (MIPPL) continues to factor in the strong brand and established track record of its parent, Mahindra Lifespace Developers Limited (MLDL), in the real estate sector. MLDL represents the Mahindra Group's interest in real estate development and remains strategically important to the parent (Mahindra & Mahindra Limited; rated [ICRA]AAA (Stable)/[ICRA]A1+), given its visibility and branding as a Mahindra venture. The Group has identified MLDL as one of its 'growth gems' and remains committed to support MLDL's growth aspirations and provide financial support, whenever required. MLDL has reported healthy operating performance in FY2023, marked by healthy growth in sales, steady collections and increased cash flow from operations (CFO). The performance is expected to sustain in FY2024 on the back of healthy launch pipeline and continued end-user demand. ICRA notes that as on September 30, 2023, out of MLDL's consolidated ongoing portfolio of residential projects with a saleable area of 6.94 million square feet (msf), nearly 71% was booked with a sales value of Rs. 3,667 crore and the balance receivables stood at Rs. 1,874 crore. This coupled with low reliance on debt resulted in a comfortable cash flow adequacy ratio of 73%, as on September 30, 2023, for launched projects in the MLDL Group's residential segment. MLDL's financial risk profile is healthy with estimated leverage (total debt/CFO) of around 1.1-1.2 times as on March 31, 2024 (as per ICRA estimates).

The ratings continue to factor in the expectation of high degree of support from MLDL to MIPPL. MLDL has provided timely funding support, which has been utilised for meeting the debt servicing obligations, which have commenced from June 2023 and for funding the overheads. ICRA expects MLDL to continue providing funding support to MIPPL given their close financial linkages, MIPPL's strategic importance for the parent (MLDL) and the parent's reputation sensitivity to default. At present, MIPPL is developing an industrial park at Jansali, near Ahmedabad. The ratings note the favourable project location with 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. 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 with no sales booked in the industrial park till date. The company is yet to find suitable anchor tenants for the project. It is exposed to high geographical and asset concentration risks, which is inherent in single project companies.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that the company will benefit from the strong brand reputation, high degree of support from MLDL 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 vertical 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 has infused Rs. 4.25 crore in H1 FY2024, for meeting the debt servicing obligations and funding the overheads. ICRA expects MLDL to continue providing funding support to MIPPL given their close financial linkages, MIPPL's strategic importance for the parent (MLDL) and the parent's reputation sensitivity to default.

Strong financial profile of the parent company – MLDL has reported healthy operating performance in FY2023, marked by healthy growth in sales, steady collections and increased cash flow from operations (CFO). The performance is expected to sustain in FY2024 on the back of healthy launch pipeline and continued end-user demand. MLDL has an established brand and strong market position in the real estate sector. As on September 30, 2023, out of MLDL's consolidated ongoing portfolio of residential projects with a saleable area of 6.94 msf, nearly 71% was booked with a sales value of Rs. 3,667 crore. The balance receivables stood at Rs. 1,874 crore. This coupled with low reliance on debt resulted in a comfortable cash flow adequacy ratio of 73%, as on September 30, 2023, for launched projects in the MLDL Group's residential segment. MLDL has a healthy financial risk profile with estimated leverage (total debt/CFO) of around 1.1-1.2 times as on March 31, 2024 (as per ICRA estimates).

Favourable project location – At present, MIPPL is 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

Exposed to market risk – MIPPL is exposed to market risk with no sales booked in the industrial park till date, as the company is yet to find suitable anchor tenants for the project. It is in discussion with various prospective tenants, though conversion of the same into sales at adequate rates remains important from the credit perspective. However, the Group's track record in selling and leasing around 2,219 acres of saleable/leasable area in various industrial parks as on September 30, 2023 provides comfort. As on March 31, 2023, the company incurred 48% of the total budgeted cost and 17% of the budgeted construction cost on the project.

Geographical and asset concentration risks – 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.

Liquidity position: Adequate

The company's liquidity profile is adequate and is supported by fund infusion by the parent, MLDL. The parent remains committed to provide further funding support to MIPPL for meeting any shortfall in servicing it debt obligations. The pending project cost of Rs. 193 crore is expected to be met through receivables from the sale of industrial plots to the prospective tenants and through funding support from MLDL, if required.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if there is a significant ramp-up in sales at adequate rates and collections, along with an improvement in the credit profile of the parent (MLDL).

Negative factors – Significant cost overruns or considerable delays in sales affecting the cash flows from operations and debt coverage metrics could impact the ratings. 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). ICRA expects the parent, MLDL, to provide timely financial support to MIPPL, for funding any shortfall, given their substantial financial linkages, MIPPL's strategic importance for the parent and parent's reputation sensitivity to default.
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 (audited) - MLDL

	FY2021	FY2022	FY2023
Operating income	166.2	393.6	606.6
PAT	-83.6	71.4	-15.3
OPBDIT/OI	-56.2%	-19.1%	-16.2%
PAT/OI	-50.3%	18.2%	-2.5%
Total outside liabilities/Tangible net worth (times)	0.5	0.6	1.0
Total debt/OPBDIT (times)	-2.6	-3.8	-5.7
Interest coverage (times)	-8.5	-11.5	-9.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

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 (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Nov 24, 2023	Aug 23, 2022	Jul 05, 2021	-
1	**Term loan**	Long Term	50.0	17.69	**[ICRA]AA-(Stable)**	**[ICRA]AA-(Stable)**	**[ICRA]AA-(Stable)**	-
2	**Fund-based**	Short Term	10.0	9.79	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1+**	-
3	**Unallocated**	Long Term/ Short Term	30.0	-	**[ICRA]AA-(Stable)/ [ICRA]A1+**	**[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
Long-term/Short-term – 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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Term loan	Jan 2020	-	FY2028	50.0	[ICRA]AA-(Stable)
NA	Short-term – Fund-based	-	-	-	10.0	[ICRA]A1+
NA	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

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4547 4829
anupama.reddy@icraindia.com

Tushar Bharambe
+91 22 6169 3347
tushar.bharambe@icraindia.com

Sonali Agarwal
+91 80 4332 6418
sonali.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches