

NDR InvIT Trust

March 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating	0.00	CARE AAA; Stable	Final Rating Confirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) confirms the issuer rating assigned to NDR InvIT Trust (NDRIT) following the submission of the below-mentioned documents/ completion of the below-mentioned steps:

- a. Confirmation of transfer of the identified assets in the trust.
- b. Listing of the trust.
- c. Receipt of the latest valuation report for the assets.

The issuer rating assigned to NDRIT takes into account the diversified and strategically dispersed portfolio of 20 special purpose vehicles (SPVs) comprising of 33 warehousing assets acquired by NDRIT, which are spread across key markets – Chennai, Bengaluru, Kolkata, Mumbai, Delhi, Pune, Coimbatore, Sricity, Bilaspur, Goa and Puducherry. The rating factors in strength from presence of large portfolio of Grade-A assets with completed space of 13.80 million square feet (msf; 12.69 msf constructed and 1.11 msf of dock yard space) along with under-construction capacity of 2.23 msf and 1.37 msf identified for future developments. The completed area continues to enjoy near-full occupancy for the past two years and healthy weighted average lease expiry (WALE), aided by strong demand from third-party logistics provider (3PL), retails, auto and E-Commerce sectors along with healthy tenant profile precluding counter-party risks, wherein top 10 clients occupy 50.41% of gross rental value. The strong occupancy coupled with lease agreements with creditworthy clientele imparts strong cash flow visibility for NDRIT. The rating also factors healthy market share of the warehousing portfolio and demonstrated track record of NDRIT's sponsor 'NDR Warehousing Private Limited' in developing, operating and maintaining warehouses.

NDRIT raised a ₹880 crore in February 2023 through a combination of fresh issuances (₹695 crore) and an offer for sale (OFS) (₹185 crore). The proceeds from the fresh issuance are utilized towards reducing existing debt, offer expenses and remaining funds towards general operational needs. The OFS proceeds of ₹185 crore was specifically utilized pay off shareholders associated with the acquired portfolio. After acquiring the portfolio, the residual debt at SPV levels stood at ₹385.61 crore as of March 15, 2023. The debt for the existing portfolio is expected to increase significantly, peaking at around ₹450-500 crore until the underdevelopment assets are completed. Upon completion of the underdevelopment assets, the SPV debt is planned to be refinanced at NDRIT level. External consolidated debt is anticipated to peak at approximately ₹450-500 crore at NDRIT level. The capacities for under construction and future developments are proposed within the 20 SPVs that were acquired.

NDRIT aims to maintain a low leverage profile by ensuring that debt levels remain around 10% of the value of the assets acquired. This prudent measure contributes to healthy debt coverage metrics for NDRIT. NDRIT will maintain a debt service reserve account (DSRA) of six months' debt servicing requirements after refinancing the SPV debt at NDRIT level.

The above rating strengths are partially tempered by refinancing risk emanating from the proposed debt structure having a bullet repayment with an intent to refinance at the time of maturity. Nevertheless, strong asset quality low leverage of NDRIT mitigates the refinancing risks to a larger extent. The trust is also vulnerable to the vacancy risk with about 38% capacity due for renewal between FY24 and FY26; however, the same is mitigated to an extent with most of the existing rentals being at lower than the market rate resulting in stickiness of the client.

This apart, the facilities under construction shall also emanate moderate project execution risk, however, as majority of the developments are already at an advanced stage, execution risks are significantly minimised. Moreover, NDRIT plans to add only operational assets in the portfolio in the medium term to mitigate construction risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Total external debt/cash flow available for debt servicing exceeding 3x on a sustained basis.
- Significant adding of under-construction portfolio.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

- External debt to enterprise value exceeding 30%.
- Significantly declining occupancy level or collection efficiency resulting strain in liquidity.

Analytical approach: Consolidated

NDRIT has acquired 100% stake in 19 SPVs and 75% stake in Varama Sir Logistics. The list of entities consolidated is provided in the Annexure 6.

Outlook: Stable

The Stable outlook factors expected stability in the financial and operational performance of the NDRIT at the back of lower vacancy reflected by healthy WALE aided by strong demand for warehousing space due to economic activity and government policies in India. The outlook factors in the presence of strong Grade-A operating warehousing portfolio with low leverage.

Detailed description of the key rating drivers:
Key strengths
Strategically placed warehousing assets:

The portfolio of warehouses is strategically located near big manufacturing and marketing hubs in India. The operational portfolio is about 67% in southern India, 18% in north India and remaining in west and east. The portfolio comprises 15.20 msf of Grade A warehouses and 1.71 msf of Grade B warehouses, which are operated from six primary markets (Chennai, Bengaluru, Kolkata, Mumbai, Delhi, Pune) having 11.71 msf (69%) of leasable area and balance from secondary markets (Coimbatore, Sricity, Bilaspur, Goa, Puducherry) having 5.20 msf (31%).

Diversified tenant profile with strong cash-flow visibility:

The clientele currently being catered by the portfolio feature from a diversified industry with logistics and 3PL forming 45% of the revenues. Besides the logistics and 3PL, a healthy proportion is also formed by consumer durables, auto and industrials, retail, and E-commerce. About 50% of the revenues are provided by 10 clients, with none of the clients forming more than 10% of the total revenues. Additionally, as about 45% of the revenues are from logistics and 3PL, the revenue profile is inherently diversified for such tenants insulating the cash flows from seasonality to an extent.

The occupancy of the operational portfolio also stood healthy at 96% with healthy WALE as on March 31, 2023, thereby providing strong revenue visibility. The under-construction portfolio has also tied up tenants already in place so the same shall also be cash-flow generating as soon as they are commissioned. The cashflow visibility is also strengthened by the stickiness of tenants backed by built-to-suit configuration born by the tenants themselves.

Low leverage resulting in strong debt protection metrics:

Post-acquisition of the warehousing portfolio by NDRIT, the primary issue has been utilized to reduce the debt by about ₹535 crore, the overall peak debt envisaged for NDRIT as a percentage of the valuation of the assets being acquired shall be at about 10%. At this level of leverage, the debt protection metrics are expected to be strong. For any increase in the debt levels in the future from the stated levels, it is also proposed that a six months' debt servicing obligation DSRA shall also be created for attending to any exigencies.

Strong market presence and established track record of the sponsors:

The portfolio when fully commissioned shall be one of the largest warehousing portfolios in India wherein it is expected to form a significant market share in the industry. Additionally, the sponsors of NDRIT, NDR Warehousing Private Limited has more than three decades of experience in the warehousing industry, the sponsor itself was managing the acquired portfolio of which the operational part is already one of the largest warehousing portfolios. Overall, the sponsors have an established track record of operating industrial and logistics parks in India, and the investment manager for NDRIT is also an NDR group entity, NDR InvIT Managers Private Limited, which supports the business risk profile of the portfolio.

Favourable demand outlook for the warehousing industry:

The total warehousing space increased by 12% from 367.8 msf in FY22 to 412 msf in FY23 with overall improvement in the occupancy rate to 12.2% from 15.6% in FY22. Average rent across eight primary markets increased in the range of 3%-8% having Bengaluru recording at 8% and Chennai at 3% for FY23.

There has also been sharp increase in the occupancy rates in Bengaluru by 12%, whereas other markets increase in the range bound 3%-4%, thereby overall vacancy reduced to 12.2% for FY23 against 15.60% for FY22.

The increased demand has been backed by increasing consumption rates, Government's ambitious growth targets of GDP, with manufacturing sector aiming to contribute 25% share of GDP by 2025, reforms to transform India into a global design and manufacturing hub, National Logistics Policy and the Gati Sakti initiative aiming towards growth of warehousing industry.

Key weaknesses

Moderate vacancy risks and market risks:

The trust is exposed to vacancy risks as for the current tenancy. The cumulative lease expiry profile indicates about 37% of the leases due for renewal between FY24 and FY26. Additionally, warehousing leasing rates are subject to demand-supply metrics and are determined by the market which also exposes the trust to market risk. In order to ensure stable cashflows, the sponsors and the asset managers are required to ensure time-bound renewal of the leases and at appropriate rates. Nevertheless, the group's experience and favourable industry outlook is expected to support the cash flow stability. CARE Ratings shall continue to closely monitor the occupancy profile and rental rates operated by the company and its impact on the leverage profile.

Refinancing risks:

NDRIT proposes to raise a 10-year capital market instrument having a bullet repayment at the end of the tenure for refinancing the loans at SPV levels. With the instrument having a bullet repayment, the NDRIT proposes to have it refinanced again at the time of redemption, which exposes it to the refinancing risk. However, attractive asset quality, past track record of regular renewal of lease and low leverage mitigate the refinancing risk to an extent.

Liquidity: Strong

At the consolidation level, the Trust is expected to generate robust cash flows. The warehouses within the Trust's portfolio are well-occupied, contributing to steady rental income. The Trust charges comfortable rental rates to its tenants, ensuring a reliable revenue stream. The InvIT maintains a conservative leverage profile, which enhances financial stability. The proposal to maintain a six-month DSRA provides an additional layer of liquidity. This reserve creation as a safety net in case of any increase in consolidated indebtedness beyond the proposed levels.

Covenants

Not applicable

Environment, social, and governance (ESG) risks:

The factors of ESG affecting the sector are the environmental aspects such as large land requirement which may need cutting of trees; the social aspects like community impact and accessibility to markets and governance aspects such as stakeholder engagement, supply chain management, and business ethics. CARE Ratings expects NDRIT's commitment to ESG will support its credit profile. Currently, NDRIT does not have an operational track record to review its ESG profile; however, the highlights of the impact of the NDR group's ESG initiatives are as follows:

Environment:

- Provided standing seam roofing systems and lighting systems within warehouses allowing natural lighting, thereby reducing dependence on conventional energy systems. Solar panels installed in some of the warehouses.
- Limited the usage of ground water by installing water harvesting facilities in some of the warehouses. It also recycles water at newer locations through rainwater harvesting chamber.
- Tenants as part of this sustainability journey by encouraging waste segregation management and recycling at all locations.
- The group is also working towards planting various saplings.

Social:

- The company strives to create an environment that attracts and retains work force at all locations for ensuring a long-term effective operation for the tenants.
- Carry out periodic training for staff and on-site employees on health and safety measures as well as hazard prevention protocols.
- Through the NDR group's CSR initiatives, the group has contributed to various programmes for social and inclusive development.

Governance:

- The group has adopted high standards of corporate governance including, but not limited to, 50% independent board.
- The group has a whistle blower policy and redressal mechanism for employee grievances.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Issuer Rating](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Service Sector Companies](#)
[Infrastructure Investment Trusts \(InvITs\)](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport services	Logistics solution provider

NDRIT has been settled by the Sponsor (NDR Warehousing Private Limited), as a contributory, determinate and irrevocable trust under the provisions of the Trusts Act in Mumbai, India pursuant to the Trust Deed. NDR InvIT Trust has been registered with Securities and Exchange Board of India (SEBI) as an infrastructure investment trust under the InvIT Regulations on June 5, 2023. NDRIT raised ₹880 crore in February 2024 and has acquired a portfolio of 20 SPVs operating 33 warehouses in India.

Brief financials: Not applicable; the trust has acquired the assets in February 2024.

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Issuer Rating-Issuer Ratings	NA	NA	NA	NA	0.00	CARE AAA; Stable

NA: Not applicable for issuer ratings.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE AAA; Stable	1)Provisional CARE AAA; Stable (28-Jun-23)	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details: Not applicable for issuer ratings**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	NASDA Infra Private Limited	Full	Cash flows for the NDRIT are in the form of distribution from the SPVs held by the NDRIT.
2	NDR Plantation Private Limited	Full	
3	NDR Factor Private Limited	Full	
4	NDR Bhadra Estates Private Limited	Full	
5	Svahgraha Construction & Holdings	Full	
6	Sri Amruthalingeswara Warehousing Private Limited	Full	
7	Forefront Logistics Private Limited	Full	
8	Kautilya Warehousing Private Limited	Full	
9	LSA Warehousing Private Limited	Full	
10	NDR Vanshil Warehouse Park Private Limited	Full	
11	NDR AVG Business Park Private Limited	Full	
12	Varama Sir India Logistc & Infrastructure Private Limited	Full	
13	NDR Store House Private Limited	Full	
14	NDR Goa Space Private Limited	Full	
15	NDR Safe Store Private Limited	Full	
16	Fabio Beverages Private Limited	Full	
17	Broadview Constructions & Holding Private Limited	Full	
18	Seahorse Distribution and Freight Private Limited	Full	
19	Valiant Amrut India infra Private Limited	Full	
20	NDR Distribution Centres Private Limited	Full	

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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