



September 17, 2010

## ICRA upgrades Millennia Realtors Private Limited long-term rating to LBBB and assigns stable outlook

ICRA has upgraded the long-term rating assigned to the enhanced amount of Rs. 942.20 crore<sup>1</sup> (enhanced from Rs. 812.00 crore) long-term debt of Millennia Realtors Private Limited (MRPL)<sup>†</sup> to LBBB (pronounced L triple B) from LBB (pronounced L double B). The outlook on the rating is stable.

The rating upgrade reflects higher rental income generated by MRPL on account of increased occupancy level in its commercial projects namely 'RMZ NXT' and 'RMZ Centennial' providing adequate coverage towards the scheduled debt repayments. Further, the rating continues to derive comfort from RMZ Group's position as a leading commercial real estate developer in Bangalore, long track record of operations, and strong tenant profile. The rating, however, remain constrained by MRPL's high financial risk profile given the high level of leveraging. ICRA notes that MRPL's borrowings consist of Lease rental discounting (LRD) loans where the debt servicing is closely aligned to rental inflows and hence remain sensitive to lease rentals and vacancy levels. Moreover, owing to the slowdown in real estate markets, the average warm shell rentals in office markets across cities have seen large decline in the past two years but the downside has not affected MRPL either on the Lease Rentals or the vacancy rate and hence any downward revision of rentals at the leased out spaces may strain the debt servicing capability of the company. Nonetheless, the strong tenant profile, high occupancy rates and the lower contracted average warm shell rentals for most of the commercial developments are comfort factors.

### Company Profile

MRPL, the flagship of the RMZ Group of companies, is one of the leading players in the commercial real estate segment in Bangalore. At present, MRPL owns 9 properties with a total leaseable area of 3.8 million square feet across, Bangalore, Pune and Chennai which have been leased out to multiple tenants. MRPL's loans for the above properties have been converted into LRD loans; the Group does not envisage undertaking any further developmental activity within MRPL.

Beginning in 1997, RMZ group's activities are concentrated on the commercial property (office) segment largely in Bangalore; other locations where the RMZ Group has completed projects include Pune, Kolkata, Chennai and Hyderabad.

### Recent Results

For the financial year 2009-10, MRPL recognized an operating income of Rs. 192.4 crore and net profit of Rs. 6.8 crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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