February 24, 2025

Divija Commercial Properties Pvt Ltd: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	2,100.00	3,331.25	[ICRA]A (Stable); reaffirmed and assigned for enhanced amount
Total	**2,100.00**	**3,331.25**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for Divija Commercial Properties Pvt. Ltd. (DCPPL) factors in the sustained healthy occupancy of 100% since FY2022 and estimated improvement in the debt coverage metrics. The rating takes comfort from the reputed tenant profile and excellent project location for the office asset 'Skyview' in Hitec City, which is the hub of IT/ITeS establishments in Hyderabad. The rating draws comfort from the presence of strong promoters (50% stake each by the RMZ Group and My Home Group) with an established track record in the commercial real estate space.

In FY2025, the company has refinanced its outstanding debt with a top-up loan in FY2025. This resulted in a significant rise in leverage, as measured by total debt/net operating income (NOI) ratio, which is expected to be around 7.4-7.7 times as of March 2025 and March 2026 (3.7 times as of March 2024). However, the coverage metrics are likely to materially improve with 5-year average debt service coverage ratio (DSCR) projected to be around 1.3 times in FY2025-2029 (PY: 1.13 times) on the back of increase in the tenor of the loan with a ballooning repayment schedule and reduction in interest rate.

The rating is, however, constrained by the geographical and asset concentration risks inherent in single asset nature of the development and moderate tenant concentration, which heightens the market risk in case of any significant vacancy/non-renewal of leases. Nonetheless, these risks are partially offset by the reputed profile of the tenants and the investments made by the tenants towards fitouts. The company remains exposed to the inherent cyclicality in the real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

The Stable outlook reflects ICRA's expectation that the company will benefit from the attractive location of property, healthy occupancy levels and comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Sustained healthy occupancy, adequate leverage and comfortable debt coverage metrics despite top-up debt availed in FY2025 – The company has sustained healthy occupancy of 100% since FY2022. In FY2025, it has refinanced its outstanding debt with a top-up loan in FY2025. This has resulted in significant rise in leverage, as measured by total debt/NOI ratio, which is expected to be around 7.4-7.7 times as of March 2025 and March 2026 (3.7 times as of March 2024). However, the coverage metrics are likely to materially improve with 5-year average DSCR projected to be around 1.3 times in FY2025-2029 (PY: 1.13 times) on the back of increase in tenor of the loan with a ballooning repayment schedule and reduction in interest rate.

Favourable asset location – The asset is favourably located in Hitec City, which is the hub of IT/ITeS establishments in Hyderabad. The location has seen a lot of leasing interest from multinational companies in the recent years, which has resulted in low vacancy levels. All these factors have led to a sustained healthy occupancy.

Strong promoter profile with established track record in commercial and real estate business – DCPPL is a 50:50 joint venture (JV) between Zola Real Estate Private Limited (part of the My Homes Group) and RMZ Infotechpark (India) Pvt Ltd (part of the RMZ Group). My Home Group has interests in real estate, transportation, and cement manufacturing, while the RMZ Group is one of the leading players in the commercial real estate segment in Bangalore.

Credit challenges

Single asset concentration and moderate tenant concentration risks – DCPPL owns a single asset, viz, the Skyview. It is exposed to geographical and asset concentration risks inherent in single asset nature of the development and moderate tenant concentration, which heightens the market risk in case of any significant vacancy/non-renewal of leases. The top five tenants occupy 30% of the total leasable area and contributes to around 28% of the total rental income. Nonetheless, these risks are partially offset by the reputed profile of the tenants and the investments made by the tenants towards fitouts.

Exposure to cyclicality in commercial real estate – The company remains exposed to the inherent cyclicality in the real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

Liquidity position: Adequate

The company's liquidity profile is adequate. Backed by healthy occupancy, the cash flow from operations is expected to remain comfortable to service the debt obligations Rs. 124 crore in FY2025 and Rs. 30 crore in FY2026. Further, it had unencumbered cash balance of Rs. 10-11 crore as of January 2025.

Rating sensitivities

Positive factors – The rating can be upgraded if the company is able to sustain high occupancies and there is material improvement in debt protection metrics. Specific credit metrics that could lead to a rating upgrade include total debt/NOI less than 6 times on a sustained basis.

Negative factors – Downward pressure on the rating could arise if there is any material decline in occupancy levels or significant increase in indebtedness resulting in deterioration of debt protection metrics. Specific credit metrics for a rating downgrade include 5-year average DSCR lower than 1.2 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Divija Commercial Properties Private Limited is a special purpose vehicle (SPV) set up to undertake a commercial office real estate development project in Hitec City, Hyderabad. The company is a 50-50 JV between Zola Real Estate Private Limited (part of My Homes Group) and RMZ Infotechpark (India) Pvt Ltd (part of RMZ Group). My Home Group has interests in real estate, transportation, cement manufacturing, project consultancy, property management services, and education, while the RMZ Group is one of the leading players in the commercial real estate segment in Bangalore.

DCPPL started construction of a commercial office project – The Skyview – in Q4 FY2016 and received the occupancy certificate for the same in Q4 FY2019. The land for the project, measuring 10.38 acres, is owned by the SPV and the total leasable area of 3.71 msf is 100% occupied. There is an amenity area of 0.21 msf. The total project cost for the commercial project was around Rs. 1,950 crore, which was funded by a term loan of Rs. 1,450 crore and the rest through promoter funding.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	440.9	462.0
PAT	158.3	171.0
OPBDIT/OI	85.6%	88%
PAT/OI	35.9%	37%
Total outside liabilities/Tangible net worth (times)	4.4	2.8
Total debt/OPBDIT (times)	4.5	3.7
Interest coverage (times)	2.2	2.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore 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 (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	3,331.25	Feb 24, 2025	[ICRA]A (Stable)	Dec 18, 2023	[ICRA]A (Stable)	Oct 07, 2022	[ICRA]A- (Stable)	Jul 16, 2021	[ICRA]A- (Stable)

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple

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	**Term loan**	October 2024	-	September 2039	3,331.25	[ICRA]A (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by 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.

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