

June 23, 2023

RMZ Infinity (Chennai) Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	976.00	1150.00	[ICRA]A- (Stable); reaffirmed
Total	976.00	1150.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for RMZ Infinity (Chennai) Pvt Ltd (RICPL's) favourably factors in the refinancing of the entire outstanding loan with a top-up loan in April 2023, which mitigates the near-term refinancing risk. The refinanced loan has a bullet repayment for 99% of the loan in September 2025, which provides adequate time to ramp-up the leasing. The rating continues to note the presence of strong promoters, where 50% stake is held each by the RMZ Group and Canada Pension Plan Investment Board (CPPIB), which lends strong financial flexibility. The RMZ Group has a strong execution track record in the real estate space and is one of the leading players in the commercial real estate segment in Bangalore. It has developed over 20 million square feet (msf) of area across several cities. The rating considers the asset's favourable location in Mt Poonamalle Road, near Porur, which is a well-developed suburb situated in the west of Chennai, having adequate social infrastructure and good connectivity with the rest of the city.

The rating, however, is constrained by the moderate market risk as RICPL's occupancy, along with the recently tied-up LOIs, stood at around 55% as of May 2023. However, the adequate leasing pipeline, estimated exit occupancy of around 70% by the end of FY2024 and cushion in the repayment of the refinanced loan mitigates the risk to an extent. Timely leasing of the balance area at adequate rentals is critical to refinance the outstanding loan due in September 2025 and will remain the key monitorable. The rating is also constrained by the revenue dependence on a single asset and high tenant concentration risk, with the top five tenants contributing to ~80% of the total rent income. With the signing of new leases, the tenant concentration risk is expected to reduce in near term.

The Stable outlook reflects ICRA's expectation that RICPL's credit profile will be supported by the adequate leasing pipeline, attractive location of the property and strong sponsor profile, which enhances its financial flexibility.

Key rating drivers and their description

Credit strengths

Established track record of the promoter group in commercial real estate – RICPL is a 50%:50% special purpose vehicle (SPV) of the RMZ Group and CPPIB Group. The RMZ Group has a strong execution track record in the real estate space and is one of the leading players in the commercial real estate segment in Bangalore. It has developed over 20 msf of commercial real estate space across Bangalore, Chennai, Hyderabad, Pune, Kolkata and Gurgaon. The Group has a long track record of timely completion of large-sized projects with high occupancy levels across its properties. The strong promoter groups with a demonstrated track record in commercial real estate development lends healthy financial flexibility to RICPL.

Favourable location of the project – The company has developed One Paramount, a commercial office space with a total leasable area of 2.4 msf. Out of this, 0.3 msf was already completed and leased out. It has completed the construction of the remaining 2.1 msf and received occupancy certificate (OC) in January 2022. The property is located on Mount Poonamalle

Road, near Porur, which is a well-developed suburb situated in west of Chennai, having adequate social infrastructure and good connectivity with rest of the city.

No near-term refinancing risk – The company has successfully refinanced the entire outstanding loan with a top-up loan in April 2023, which mitigates the near-term refinancing risk. The refinanced loan has a bullet repayment for 99% of the loan in September 2025, which provides adequate time to ramp-up the leasing. However, timely leasing of the additional area during maturity of the refinanced debt at remunerative rates will remain critical.

Credit challenges

Exposure to market risk – The project is exposed to moderate market risks as RICPL's occupancy along with the recently tied-up LOIs stood at around 55% as of May 2023. However, adequate leasing pipeline and estimated exit occupancy of around 70% by the end of FY2024 and cushion in the repayment of the refinanced loan mitigates the risk to an extent. Timely leasing of the balance area at adequate rentals is critical to refinance the outstanding loan due in September 2025 in a timely manner and will remain the key monitorable.

High tenant concentration risk – At present, the top five tenants contribute to ~80% of the total rent income resulting in high tenant concentration. Nonetheless, the rating considers the long lease tenures, strong profile of the major tenants, who are large multi-national companies, as well as the significant fit-out cost incurred by the tenants, which provides comfort on the tenant stickiness. With signing of new leases, the tenant concentration risk is expected to reduce in the near term. The rating also factors in the single asset nature of the SPV and the dependence on revenues from a single property.

Liquidity position: Adequate

RICPL's liquidity is expected to remain adequate, driven by the rental income from the office space. As on March 31, 2023, the company has free cash and bank balance of Rs. 33.2 crore and presence of interest service reserve account (ISRA) of three months is likely to support the debt servicing.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant increase in occupancy and mitigation of refinance risk associated with the outstanding loan resulting in improvement in debt coverage metrics on a sustained basis. Specific credit metrics that could lead to a rating upgrade include five-year average DSCR greater than 1.3 times on a sustained basis.

Negative factors – The rating may be downgraded if there are substantial delays in new lease tie-ups and rent commencement, which increase the refinance risk, or if there is significant increase in indebtedness resulting in weakening of coverage and leverage metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

RMZ Infinity (Chennai) Limited (RICPL) owns a land of 14 acres on which it has developed an office park named One Paramount, in Mt Poonamalle Road, Porur, Chennai, with a total leasable area of 2.4 msf. At present, the construction of the project has

been completed, and the company received OC in January 2022. As on March 31, 2022, 50% of RICPL's share is held by Millennia Realtors Private Limited, the ultimate holding company of the RMZ Group. The remaining shares of RICPL are held by CPP Investment Board Private Holdings (4) In¹.

Key financial indicators

RICPL	FY2022	FY2023 (Prov)
Operating income	23.2	57.0
PAT	-11.6	-97.7
OPBDIT/OI	15.3%	46.4%
PAT/OI	-49.8%	-171.3%
Total outside liabilities/Tangible net worth (times)	35.3	21.6
Total debt/OPBDIT (times)	300.5	44.8
Interest coverage (times)	0.2	0.3

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

Source: Company, ICRA research.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				June 23, 2023	Feb 24, 2023	Nov 03, 2021	Oct 09, 2020
1 Term loans	Long term	1150.0	937.6 [^]	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable) assigned; [ICRA]A (CE)& withdrawn	[ICRA]A (CE)&

&= Under Watch with Developing Implications; ^o/s amount of original amount before refinancing

Complexity level of the rated instruments

Instrument	Complexity Indicator
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](#)

¹ Is a part of Canada Pension Plan Investment Board (CPPIB)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term loans	Mar 2023	-	Sep 2025	1150.0	[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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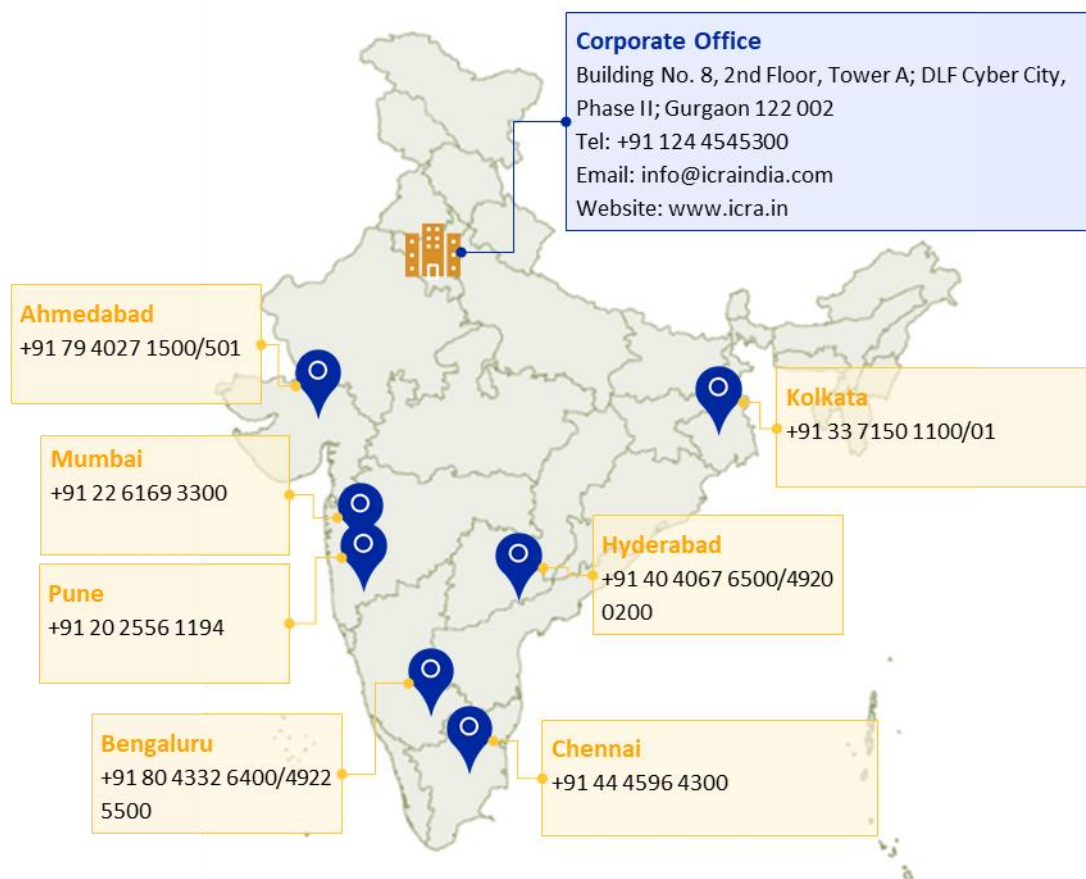


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