

September 23, 2024

## RMZ Infinity (Chennai) Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	1150.0	1150.0	[ICRA]A- (Stable); reaffirmed
<b>Total</b>	<b>1150.0</b>	<b>1150.0</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation for RMZ Infinity (Chennai) Private Limited (RICPL) factors in the healthy ramp-up in occupancy levels to 81% as of August 2024 (from 46% during June 2023) providing cash flow visibility in the medium term. Backed by adequate leasing pipeline, the occupancy is expected to further improve to 85-90% by March 2025. In H1 FY2025, the company has raised top-up loan of Rs. 175 crore to repay the erstwhile promoter loans resulting in increase in indebtedness. The total outstanding debt, including the recently availed top-up loan has bullet repayment for 99% of the loan in September 2025. However, the company has adequate leasing levels, which mitigates the refinancing risk. The rating also 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, which enhances the marketability of the project.

The rating, however, is constrained by the high leverage as the company has availed top-up debt, resulting in estimated debt/annualised NOI of 8.9 times by March 2025. Consequently, the debt coverage metrics post refinancing are expected to remain moderate. The company is also exposed to moderate market risks, wherein around 19% of the leasable area is yet to be tied up, as of August 2024. However, adequate leasing pipeline mitigates the risk to an extent. The rating considers RICPL's exposure to tenant concentration risk, wherein the top five tenants contribute to ~56% of the total rental income. Nonetheless, this risk is partly mitigated by the long lease tenures, as well as the significant fit-out cost incurred by the tenants. It also faces asset and geographical concentration risks, which are inherent in single asset portfolios. The rating also 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 expectations that RICPL's credit profile will be supported by the adequate leasing pipeline and favourable location of the property, which enhances the marketability of the project and expected improvement in debt protection metrics.

### Key rating drivers and their description

#### Credit strengths

**Improvement in occupancy levels provides cash flow visibility in medium term** – The company witnessed healthy ramp up in occupancy levels to 81% as of August 2024 (from 46% during June 2023) providing cash flow visibility in the medium term. Backed by adequate leasing pipeline, the occupancy is expected to further improve to 85-90% by March 2025. In H1 FY2025, the company has raised top-up loan of Rs. 175 crore to repay the erstwhile promoter loans resulting in increase in indebtedness. The total outstanding debt of the company, including the recently availed top-up loan has bullet repayment for 99% of the loan in September 2025. However, it has adequate leasing levels, which mitigates the refinancing risk.

**Favourable location of the project** – The company has developed One Paramount, a commercial office space with a total leasable area of 2.3 msf. It has completed the construction of the project 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 the rest of the city, which enhances the marketability of the project.

### Credit challenges

**High leverage** – The company has availed top-up debt resulting in high leverage with estimated debt/annualised NOI of 8.9 times by March 2025. Consequently, the debt coverage metrics post refinancing are expected to remain moderate. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

**Exposure to moderate market risk and tenant concentration risk** – The company is exposed to moderate market risks, wherein around 19% of the leasable area is yet to be tied up, as of August 2024. However, adequate leasing pipeline mitigates the risk to an extent. The rating considers the company's exposure to tenant concentration risk, wherein the top five tenants contribute to ~56% of the total rental income. Nonetheless, this risk is partly mitigated by the long lease tenures, as well as the significant fit-out cost incurred by the tenants. The company is exposed to asset and geographical concentration risk, which are inherent in the single asset.

### Liquidity position: Adequate

RCIPL's liquidity profile is adequate, given the expected stable generation of rental income from the leased area. As on September 10, 2024, the company has free cash and liquid investments of Rs. 99.5 crore. It has bullet repayment for outstanding debt due in September 2025, which is likely to be refinanced with an LRD loan in H1 FY2026.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if there is a healthy increase in occupancy at adequate rental rates resulting in improvement in debt protection 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	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty – Lease Rental Discounting (LRD)</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

RMZ Infinity (Chennai) Private 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 2.3 msf. At present, the construction of the project has been completed, and the company received occupancy certificate in January 2022.

As on March 31, 2024, 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) In<sup>1</sup>. On August 6, 2024, RMZ and CPPIB have completed the sale transaction of the OP1 office park to the Singapore-based Keppel Limited at a sale value of ~Rs. 2,216 crore.

### Key financial indicators

RICPL	FY2023	FY2024
	Audited	Audited
Operating income	57.0	107.1
PAT	-116.3	-74.1
OPBDIT/OI	14.3%	64.7%
PAT/OI	-203.8%	-69.2%
Total outside liabilities/Tangible net worth (times)	-122.1	-17.2
Total debt/OPBDIT (times)	136.7	19.1
Interest coverage (times)	0.1	0.6

Source: Company, ICRA Research; All ratios are 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)	Sept 23, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	1150.00	[ICRA]A-(Stable)	Aug 14, 2024	[ICRA]A-(Stable)	Jun 23, 2023	[ICRA]A-(Stable)	Feb 24, 2023	[ICRA]A-(Stable)	Nov 03, 2021	[ICRA]A-(Stable) assigned; [ICRA]A (CE)& withdrawn

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	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

<sup>1</sup> Is a part of Canada Pension Plan Investment Board (CPPIB)

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 Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	March 2023	NA	September 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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