January 23, 2025

WeWork India Management Limited: Rating upgraded to [ICRA]A- (Stable) from [ICRA]BBB (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	290.00	506.00	[ICRA]A- (Stable); Upgraded from [ICRA]BBB (Stable)
Long term – Overdraft	0.00	50.00	
Long-term – Unallocated	510.00	244.00	
Total	**800.00**	**800.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade for WeWork India Management Limited (WeWork) factors in substantial improvement in leverage and coverage metrics post the infusion of fresh capital of Rs. 501 crore by way of right issue by Embassy Buildcon LLP in January 2025. The proceeds from equity infusion were used for redemption of non-convertible debentures (NCDs) of Rs. 450 crore, which along with an estimated increase in operating profits backed by the sustained healthy occupancy levels on an increased desk capacity will result in an improvement in debt protection metrics. The company's desk capacity rose by 20% and 10% YoY in FY2024 and H1 FY2025 respectively, and the occupancy levels stood healthy at 75% as of September 2024. WeWork's revenues are expected to grow by 20-25% YoY in the near term due to addition of new desk capacities at healthy occupancy levels, supported by demand for coworking spaces and the consequent improvement in operating profits. The leverage, as reflected by adjusted TD/adjusted OPBITDA[1] is projected to improve to 1.0-1.1 times as of March 2025 (PY: 2.4 times) and further decline to below 1 times from FY2026 onwards. Given the reduction in debt levels and the consequent lower debt obligations, the debt servicing coverage ratio (DSCR) is estimated to remain comfortable in the medium term.

The rating takes comfort from the large and diversified presence with around 1 lakh desks (as of December 2024) at 62 locations spread across eight cities such as Bengaluru, Mumbai, Delhi, Gurgaon, Noida, Pune, Chennai and Hyderabad. The rating favourably factors in the low customer concentration risk, wherein the top 10 clients contributed to around 20% of the total revenues in FY2024 and H1 FY2025. ICRA takes note of the extensive experience of its promoters, the Embassy Group, which is one of the largest commercial real estate developers in the country.

The rating, however, remains constrained by the market risk due to large capex plans in FY2026 which is likely to be funded largely through internal accruals (70-75%) and the balance through debt. WeWork remains exposed to high lease renewal risks, given that short-term leases (less than 2 years) account for 60% of the overall leases. Further, around 32% of the customer leases are coming up for renewal in FY2026. Notwithstanding the healthy renewal rates averaging at around 75% during the last 12 months, the renewal rates of the future lease expiry will remain a key monitorable. The company is exposed to the cyclicality in the office leasing segment and vulnerability to external factors. Further, the debt coverage ratios remain susceptible to material changes in occupancy and interest rates.

The Stable outlook on the rating reflects ICRA's expectation that the company would sustain healthy occupancy and operating profits, supported by large and diversified presence across key markets and estimated improvement in debt protection metrics.

[1] *adjusted TD/adjusted OPBITDA = (Total Debt - Lease Liabilities)/(OPBITDA - rental expense)*

Key rating drivers and their description

Credit strengths

Healthy occupancy and significant reduction in debt levels due to rights issue and redemption of NCDs resulting in expected improvement in debt protection metrics – The occupancy levels stood healthy at 75% as of September 2024. The company's desk capacity increased to around 1 lakh desks by December 2025. WeWork's revenues are expected to grow by 20-25% in the near term due to addition of new desk capacities at healthy occupancy levels, supported by demand for coworking spaces and the consequent improvement in operating profits. In December 2024, Embassy Buildcon LLP purchased 3.76% stake from WeWork Inc. Additionally in January 2025, the company performed a rights issue of Rs. 501 crore fully subscribed by Embassy Buildcon LLP the proceeds of which were used to redeem the NCDs of Rs. 450 crore. The leverage, as reflected by adjusted TD/adjusted OPBITDA is projected to improve to 1-1.1 times as of March 2025 (PY: 2.4 times) and further decline to below 1 times from FY2026 onwards. Given the reduction in debt levels and the consequent lower debt obligations, the DSCR is estimated to remain comfortable in the medium term.

Large and diversified presence with low customer concentration – As of December 2024, the company had over 1 lakh desks at 62 locations spread across seven cities such as Bengaluru, Mumbai, Delhi, Gurgaon, Noida, Pune, Hyderabad and Chennai. The assets are located in prominent micro-markets in Grade-A commercial buildings, thereby enhancing its marketability. Further, the company has low customer concentration risk, wherein the top 10 clients contributed to over 20% of the total revenue in FY2024 and H1 FY2025.

Extensive experience of Embassy Group in real estate industry – The company is promoted by the Embassy Group, which holds 72.4% of the shares and is one of the largest commercial real estate developers in the country with presence across real estate segments such as commercial, residential, retail, hospitality etc. It has developed and/or managed over 85 million square feet (msft) of commercial projects.

Credit challenges

High customer lease renewal risk – WeWork remains exposed to high lease renewal risks, given that short-term leases (less than 2 years) account for 60% of the overall leases. Further, around 32% of the customer leases are coming up for renewal in FY2026. Notwithstanding the healthy renewal rates averaging at around 75% during the last 12 months, the renewal rates of the future lease expiry will remain a key monitorable.

Exposed to market risk due to large expansion plans – The company has large capex plans in FY2026, exposing it to market risk for the new capacities. The proposed capex is likely to be funded by internal accruals (70-75%) and the balance through debt.

Exposure to cyclicality in real estate sector – WeWork is exposed to the cyclicality in the office leasing segment and vulnerability to external factors. Further, the debt coverage ratios remain susceptible to material changes in occupancy and interest rates.

Liquidity position: Adequate

The company's liquidity position is adequate with undrawn term loan limits of Rs. 41 crore and undrawn overdraft limits of Rs. 12.3 crore as on January 13, 2025. Notwithstanding the sizable capex/capacity-enhancement plans, the liquidity position is expected to remain adequate with the company likely to maintain adequate liquidity in the form of investments (in mutual funds/bank balances) and undrawn lines going forward.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant increase in the scale of operations and profitability, along with improvement in debt protection metrics and liquidity position on a sustained basis.

Negative factors – The rating could be downgraded if there is a material decline in occupancy or profitability and/or significant debt funded expansion resulting in weakening of debt protection metrics and liquidity position on a sustained basis. Specific credit metric for a rating downgrade would be adjusted TD/adjusted OPBITDA greater than 2.3 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

WeWork India Management Limited was formed in 2016 and is promoted by the Bangalore-based Embassy Group, which holds around 72.40% of the shares and 1 Ariel Way Tenant Limited, which is a group company of WeWork Inc holds 22.28%. The company manages co-working spaces under the WeWork brand in around 62 locations covering around 6.86 msf spread across Bengaluru, Hyderabad, Mumbai, Delhi, Gurgaon, Noida, Chennai and Pune with a desk capacity of around 1 lakh desks as of December 2024.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	1,314.0	1,661.6
PAT	-144.5	-130.8
OPBDIT/OI	60.7%	63.1%
PAT/OI	-11.0%	-7.9%
Total outside liabilities/Tangible net worth (times)	-16.2	-11.4
Total debt/OPBDIT (times)	5.0	4.0
Interest coverage (times)	1.9	2.1

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

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	23-JAN-2025	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	506.00	[ICRA]A- (Stable)	22-MAR-2024	[ICRA]BBB (Stable)	06-JAN-2023	[ICRA]BBB- (Stable)	-	-

Long term-unallocated	Long Term	244.00	[ICRA]A-(Stable)	22-MAR-2024	[ICRA]BBB (Stable)	06-JAN-2023	[ICRA]BBB-(Stable)	-	-
Long term-overdraft-fund based	Long Term	50.00	[ICRA]A-(Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loans	Simple
Long term – Overdraft	Simple
Unallocated limits	Not Applicable

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 loans	FY2019	NA	FY2030	506.00	[ICRA]A- (Stable)
NA	Overdraft	NA	NA	NA	50.00	[ICRA]A- (Stable)
NA	Unallocated limits	NA	NA	NA	244.00	[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

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