

January 30, 2025

Divyasree Tarbus Builders Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – fund-based – Term loans	664.00	664.00	[ICRA]BBB+ (Negative); reaffirmed
Total	664.00	664.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action for the bank facilities of Divyasree Tarbus Builders Private Limited (DTBPL) factors in the healthy committed occupancy, along with a reputed tenant profile, supported by favourable location of the project. The assets, Divyasree Greens and Divyasree Greens Annexe, are located at Inner Ring Road, Domlur, Bengaluru. While Dell International Services Private Limited (Dell), which occupied ~100% of the total leasable area in Divyasree Greens, has vacated ~64% of area in H1 FY2025, the company has entered into lease agreements with two new tenants, leading to committed occupancy of 91.5% as of December 2024. The rent rates from the new tenants are significantly high at ~Rs. 155 /square feet (sf)/month compared to ~Rs. 83/sf/month from Dell, with rentals from the same commencing from FY2026 onwards. While rentals declined in FY2025 due to material vacancy and also with new tenants being in the rent-free period, the rentals are expected to improve to Rs. 80-85 crore in FY2026 and further to Rs. 105-110 crore in FY2027. Further, the weighted average lease expiry (WALE) is comfortable at 11.7 years as of December 2024. The rating continues to factor in the established track record of the Divyasree Group in the development and management of commercial real-estate assets.

The rating is, however, constrained by the company's expectations of high leverage as of March 2025 and March 2026 and moderate debt coverage metrics due to high debt levels and decline in rentals in FY2025. The debt repayments in FY2025 are supported by the security deposits received from new tenants and the existing on-balance sheet liquidity of ~Rs. 68 crore as of March 2024. Further, the rating remains exposed to high asset (single project) and tenant concentration risks with top three tenants occupying 91.5% of the total leasable area, and the consequent exposure to market risk in case of any vacancy or non-renewal of leases. Nonetheless, these risks are mitigated by the favorable location of the project, a reputed tenant profile with comfortable WALE. The rating is also constrained by the vulnerability of the debt coverage metrics to any changes in interest rates and occupancy levels.

The Negative outlook on the [ICRA]BBB+ rating reflects ICRA's expectations that the high debt levels and pressure on rentals are likely to result in high leverage, moderate the debt coverage metrics and further exert pressure on liquidity. Any further vacancies or incremental loans and advances to Group companies could severely impact the liquidity profile of the company.

Key rating drivers and their description

Credit strengths

Favourable location – The projects, Divyasree Greens and Divyasree Greens Annexe, are located at a prime location near Embassy Golf Links, at Inner Ring Road, Domlur, Bengaluru. Divyasree Greens is a Grade-A property with high-end infrastructure and is near the residential areas of Indiranagar and Koramangala and close to the junction with Old Airport Road, which connects it to Whitefield.

Healthy committed leasing with significant improvement in rent rates – The tenant, Dell, which occupied ~100% of the total leasable area has vacated ~64% of area in H1 FY2025. Thereafter, the company entered into lease agreements with two new tenants, resulting in committed occupancy of 91.5% as of December 2024. Also, the rent rates from the new tenants are significantly high at ~Rs. 155/sf/month compared to ~Rs. 83/sf/month from Dell, with rentals from the same commencing from FY2026 onwards. With new lease deeds in place at higher rates, the rentals are expected to improve to Rs.80-85 crore in FY2026 and further to Rs. 105-110 crore in FY2027.

Credit challenges

High leverage and moderate debt coverage metrics – The leverage metrics as measured by debt to net operating income (debt/NOI), are expected to be high in FY2025, owing to decline in rentals and high debt levels and likely to improve in FY2026 (8.5-8.6 times). Similarly, the debt coverage metrics as measured by debt service coverage ratio (DSCR) is estimated to remain moderate over the medium term. The DSCR remains vulnerable to any changes in interest rates and occupancy levels.

Asset and tenant concentration risks – The company's dependence on a single asset (Divyasree Greens) exposes it to asset concentration risk. Further, the tenant concentration is high with top three tenants occupying 91.5% of the total leasable area, and the consequent exposure to market risks in case of any vacancy or non-renewal of leases. Nonetheless, these risks are mitigated by the favourable location of the project and a reputed tenant profile with comfortable WALE of 11.7 years.

Liquidity position: Stretched

The company's liquidity is stretched. As on December 31, 2024, it had unencumbered cash and bank balances of Rs.19.6 crore. Further, the company has debt obligations (P+I) of ~Rs. 16 crore in Q4 FY2025 and ~Rs. 73 crore in FY2026, which will be serviced through cash flow from operations, security deposits received from new tenants, available liquidity and support from the Divyasree Group.

Rating sensitivities

Positive factors – ICRA could revise the outlook of DTBPL's rating, if there is a material improvement in operational leasing levels resulting in healthy debt protection metrics on a sustained basis.

Negative factors – Negative pressure on DTBPL's rating could arise if there is any weakening in debt protection metrics for reasons including reduction in occupancy levels, delayed rental commencement, or increase in debt levels. Further, any material increase in loans and advances adversely impacting the liquidity of DTBPL may put pressure on the rating.

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

Divyasree Tarbus Builder Private Limited (DTBPL) is involved in real estate development. As of December 2024, the company's assets included 0.69 msf of operational leasable area named Divyasree Greens, on Inner Ring Road, Domlur, Bengaluru. Divyasree Greens was completed in 2003 and was entirely leased to Dell International Services Private Limited (Dell) until May

2024, wherein, Dell vacated around 0.47 msf and new tenants, Atlassian India LLP and Tablespace Technologies Private Limited, have occupied 0.21 msf and 0.16 msf, respectively, in H1 FY2025. As of December 2024, the committed occupancy of Divyasree Greens was 91.5%. DTBPL has also developed and completed 0.05 msf of office space in 2018 named DivyaSree Greens Annexe in the land parcel adjoining DivyaSree Greens and is 100% leased to tenants, Progress Software Development Private Limited and Payu Payments Private Limited. DTBPL is a part of the Divyasree Group, and has completed over ~30.0 msf of commercial office and residential space as on January 21, 2025, across Bengaluru, Hyderabad, and Chennai.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	91.4	99.3
PAT	49.3	39.5
OPBDIT/OI	87.0%	79.1%
PAT/OI	54.0%	39.8%
Total outside liabilities/Tangible net worth (times)	3.3	3.6
Total debt/OPBDIT (times)	7.4	9.2
Interest coverage (times)	1.6	1.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortization

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)	30-JAN-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long Term	664.00	[ICRA]BBB+ (Negative)	26-APR-2024	[ICRA]BBB+ (Negative)	28-JUL-2023	[ICRA]BBB+ (Stable)	22-JUL-2022	[ICRA]BBB+ (Stable)	30-APR-2021	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – 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 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	January 2024	NA	December 2038	664.00	[ICRA]BBB+(Negative)

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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