

May 20, 2025

RMZ City Estates 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 loan	1,200.00	1,200.00	[ICRA]A (Stable); reaffirmed
Long-term – Non-fund based	29.69	29.69	[ICRA]A (Stable); reaffirmed
Long-term - Unallocated	20.31	20.31	[ICRA]A (Stable); reaffirmed
Total	1,250.00	1,250.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for RMZ City Estates Private Limited (RCEPL) factors in the healthy occupancy levels at 100% and adequate debt protection metrics, which are expected to sustain in the medium term. The company operates a commercial office property, RMZ Star Tech, in Koramangala, Bengaluru, and has been able to sustain 100% occupancy levels since January 2022, with a reputed tenant profile. The leverage, as measured by total debt/net operating income (NOI), is estimated to be adequate at 6.0 times as on March 31, 2025 (PY: 6.4 times) and further improve to ~5.8 times by March 31, 2026, on the back of timely rental escalations and repayment of debt as per the schedule. Consequently, the debt coverage metrics are likely to remain comfortable with five-year average debt service coverage ratio (DSCR) projected to be in the range of 1.25 – 1.30 times during FY2026-FY2030. The rating continues to consider the favourable location of the asset in Koramangala, Bengaluru, having good infrastructure and connectivity, thereby enhancing its marketability. The rating draws comfort from the presence of strong promoters, the RMZ Group and the CPPIB Group, wherein 49% stake is held by the RMZ Group, and the remaining 51% stake is held by the CPPIB Group. The RMZ Group has a strong execution track record and is one of the leading players in the commercial real estate segment in Bengaluru. It has developed over 25 million square feet (msf) of area across several cities.

The rating is, however, constrained by exposure to high tenant concentration risk in the asset, with two tenants occupying 60% and 40% of the total area. Further, around 31% of area is due for renewal in the next six months, exposing the company to lease renewal risk. Nonetheless, the risk is partially offset by a reputed tenant profile, along with long lease tenure as well as investments made by the tenants towards fitouts. The rating factors in the single-asset nature of the special purpose vehicle (SPV) and the dependence on revenues from a single property, exposing it to asset concentration risk. The company remains exposed to the inherent cyclical nature 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 reduction in occupancy levels.

The Stable outlook on the rating reflects ICRA's expectations that the company will continue to benefit from healthy occupancy levels and expected improvement in debt protection metrics with no plans to raise any additional debt.

Key rating drivers and their description

Credit strengths

Healthy occupancy and adequate debt protection metrics – The company has been able to sustain 100% occupancy levels since January 2022, with a reputed tenant profile. The leverage, as measured by total debt/ NOI, is estimated to be adequate at 6.0 times as on March 31, 2025 (PY: 6.4 times) and further improve to ~5.8 times by March 31, 2026, on the back of timely rental escalations and repayment of debt as per the schedule. Consequently, the debt coverage metrics are likely to remain comfortable with five-year average DSCR projected to be in the range of 1.25 – 1.30 times during FY2026 - FY2030.

Strong promoter profile with established track record in commercial real estate business – RCEPL is promoted by the RMZ Group and the CPPIB Group, wherein 49% stake is held by the RMZ Group, and the remaining 51% stake is held by the CPPIB Group. The RMZ Group has a strong execution track record and is one of the leading players in the commercial real estate segment in Bengaluru. It has developed over 25 msf of commercial real estate space across Bengaluru, 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 and their demonstrated track record in commercial real estate development lend healthy financial flexibility to RCEPL.

Favourable asset location – The project is favourably located in Koramangala, Bengaluru, which is characterised by good infrastructure and connectivity, thereby enhancing its marketability.

Credit challenges

High tenant and asset concentration risks – RCEPL is exposed to high tenant concentration risk in the asset, with two tenants occupying 60% and 40% of the total area. Further, around 31% of area is due for renewal in the next six months, exposing it to lease renewal risk. Nonetheless, the risk is partially offset by a reputed tenant profile, along with long lease tenure as well as investments made by the tenants towards fitouts. The rating also factors in the single-asset nature of the SPV and the dependence on revenues from a single property, exposing it to asset concentration risk.

Exposure to cyclicity in commercial real estate – The company remains exposed to the inherent cyclicity in the real estate industry and vulnerability to external factors. The debt coverage metrics of the company remain vulnerable to factors such as changes in interest rates or reduction in occupancy levels.

Liquidity position: Strong

The liquidity profile of the company is strong, backed by sustained healthy cash balance. The cash flow from operations is expected to remain comfortable to service the principal repayments of Rs. 36 crore in FY2026 and Rs. 47 crore in FY2027. The company has free cash and liquid investments of Rs. 230 crore as on March 31, 2025, besides DSRA equivalent to three months of debt obligations for the LRD loan.

Rating sensitivities

Positive factors – The rating can be upgraded, if the company is able to sustain high occupancies and material reduction in indebtedness leading to improvement in the debt protection metrics. Specific credit metrics that could lead to a rating upgrade include total debt/NOI lower than 5.5 times on a sustained basis.

Negative factors – Pressure on the rating could arise, if there is any material decline in occupancy levels or significant increase in indebtedness resulting in weakening of debt coverage and leverage metrics. Specific credit metric for a downgrade includes five-year average DSCR remaining less 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

RCEPL is a private limited company held by CPPIB and the RMZ Group in the ratio of 51:49. In FY2022, the Prestige Group (erstwhile partner in this entity) sold their ownership to a company affiliated to CPPIB. The company has developed a commercial office property with a leasable area of 1.37 million sq. ft. called RMZ Star Tech, in Koramangala, Bengaluru. The firm has leased 100% of the available area as on April 30, 2025.

Key financial indicators (audited)

Standalone	FY2023	FY2024	9M FY2025*
Operating income	155.3	186.9	152.8
PAT	254.3	61.0	69.6
OPBDIT/OI	84%	86%	86%
PAT/OI	164%	33%	46%
Total outside liabilities/Tangible net worth (times)	2.3	1.4	1.3
Total debt/OPBDIT (times)	9.7	6.4	5.7
Interest coverage (times)	1.5	2.5	2.7

Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; Amounts 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

Instruments	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 20, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	1,200.00	[ICRA]A (Stable)	May 28, 2024	[ICRA]A (Stable)	-	-	Mar 24, 2023	[ICRA]A- (Stable)
Non-fund based limits	Long-term	29.69	[ICRA]A (Stable)	May 28, 2024	[ICRA]A (Stable)	-	-	Mar 24, 2023	[ICRA]A- (Stable)
Unallocated	Long-term	20.31	[ICRA]A (Stable)	May 28, 2024	[ICRA]A (Stable)			Mar 24, 2023	[ICRA]A- (Stable)
								Jun 24, 2022	[ICRA]A- (Stable)
Term loan	Long-term							Mar 24, 2023	[ICRA]A- (Stable) withdrawn
								Jun 24, 2022	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Non-fund based limits	Very Simple
Long-term – Unallocated	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 loan	FY2023	NA	FY2038	1200.0	[ICRA]A (Stable)
NA	Non-fund based limits	-	-	-	29.69	[ICRA]A (Stable)
NA	Unallocated	-	-	-	20.31	[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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