

January 16, 2024^(Revised)

M S Ramaiah Developers and Builders Pvt Ltd: Rating reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	581.00	581.00	[ICRA]BBB+ reaffirmed; outlook revised to Positive from Stable
Long-term – Unallocated	4.00	4.00	
Total	585.00	585.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook to Positive for M S Ramaiah Developers and Builders Pvt Ltd (MSRDB) factors in the improvement in occupancy to 88% as of November 2023 from 66% as of January 2023, backed by healthy leasing in 8M FY2024 for Wing E of Helios Business Park. The company is expected to sustain the healthy occupancy levels in the medium term on account of its reputed tenant profile, long-term lease agreements and around 90% of the area leased being under the lock-in period. Backed by healthy occupancy and no expansion plans, the leverage as measured by debt/annualised NOI is estimated to improve to 4.2 times as of March 2024 against 6.1 times as of March 2023. Further, an additional debt of around Rs. 120 crore is projected to be availed by the company in FY2025. However, the debt/annualised NOI is likely to remain comfortable at 4.3 times as of March 2025. Consequently, the debt coverage indicators are expected to remain healthy in the medium term. The rating continues to factor in the strong business profile of Helios Business Park, which is relatively a new property located favourably in Outer Ring Road, Kadubeesanahalli, a hub for information technology (IT) and other multi-national companies in Bangalore. The rating considers the profile of the promoters, who have significant land holdings and interests in various real estate developments in the commercial and residential space.

The rating is, however, constrained by the moderate market risk pertaining to leasing of the remaining space in Wing E in Helios Business Park and in MSR North Tower with a total vacant area of 2.1 lakh square feet (sft) as of November 2023. The market risk is partly mitigated by the absence of any debt against Wing E and MSR North Tower. Any significant debt drawdown against these assets will remain monitorable. The rating considers the high tenant concentration risk with top three tenants Goldman Sachs, Fashnear Technologies, and SanDisk, occupying ~63% of the total leased area. The debt coverage ratios remain vulnerable to any changes in interest rates and occupancy levels.

Key rating drivers and their description

Credit strengths

Improvement in occupancy and favourable asset location – The company has jointly developed Helios Business Park with Kalyani Tech Park Private Limited in FY2018 with a total leasable area of 27.0 lakh sft, wherein MSRDB has a leasable area share of 14.0 lakh sft. The asset is relatively a new property located favourably in Outer Ring Road, Kadubeesanahalli, a hub for information technology (IT) and other multi-national companies in Bangalore. Moreover, the occupancy levels have improved to 88% as of November 2023 from 66% as of January 2023, backed by healthy leasing in 8M FY2024 for Wing E of Helios Business Park. MSRDB is expected to sustain the healthy occupancy levels in the medium term on account of its reputed tenant profile, long-term lease agreements and around 90% of the area leased being under the lock-in period.

Comfortable debt protection metrics – Backed by healthy occupancy and no expansion plans, the leverage metric as measured by debt/annualised NOI is estimated to improve to 4.2 times as of March 2024 compared to 6.1 times as of March 2023. Further, an additional debt of around Rs.120 crore is projected to be availed by the company in FY2025. However, the debt/annualised NOI is likely to remain comfortable at 4.3 times as of March 2025. Consequently, the debt coverage indicators are expected to remain healthy in the medium term. MSRDB also maintains ~Rs. 14.6 crore in debt service reserve account (DSRA), which is equivalent to three months of P + I obligation.

Track record of promoters in real estate sector – The Group’s promoter, Mr. M R Seetharam, has interests in real estate and education sectors. Mr. M R Seetharam has multiple land banks in Bengaluru, which are at various stages of development. He also serves as the Vice Chairman and trustee in Gokula Education Foundation, which operates various educational institutions and a hospital.

Credit challenges

Exposure to moderate market risk and high tenant concentration risks – The company is moderately exposed to market risk, pertaining to leasing of the remaining space in Wing E in Helios Business Park and in MSR North Tower with a total vacant area of 2.1 lakh sft as of November 2023. The market risk is partly mitigated by the absence of any debt against Wing E and MSR North Tower. Any significant debt drawdown against these assets will remain monitorable. Moreover, it is exposed to high tenant concentration risk with top three tenants (Goldman Sachs, Fashnear Technologies, and SanDisk) occupying ~63% of the total leased area. However, the reputed tenant profile, long-term lease agreements and around 90% of the area leased being under lock-in period, reduces the vacancy risk.

Vulnerability of coverage metrics to change in interest rates and occupancy – The debt coverage ratios remain vulnerable to any changes in interest rates and occupancy levels.

Liquidity position: Adequate

The company’s liquidity position is adequate with free cash balances of ~Rs. 13 crore as on March 31, 2023. It has repayment obligation of Rs. 66 crore and Rs. 85 crore in FY2024 and FY2025 respectively, which can comfortably be serviced through the estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a healthy improvement in occupancy at adequate rent rates resulting in improvement in debt coverage and leverage metrics. Specific trigger for a rating upgrade includes average five-year DSCR of more than 1.3 times on a sustained basis.

Negative factors – Negative pressure on the rating could arise if any material decline in the occupancy level or significant increase in indebtedness resulting in weakening of debt protection metrics on a sustained basis. Specific credit metric for a rating downgrade includes debt/annualised NOI of more than 7.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	While assigning the rating, ICRA has considered the consolidated operational and financial profile of MSRDB and Ramaiah Soft Tech Park (RSTP), given the strong operational and financial linkages between the two entities. The two entities are co-borrowers for some of the rated facilities.

About the company

M S Ramaiah Developers and Builders Pvt Ltd (MSRDB), incorporated in 2002, is promoted by Mr. M R Seetharam. MSRDB is involved in the commercial real estate business. It has jointly developed an office asset, Helios Business Park, located in Outer Ring Road, Bangalore, in a JDA with Kalyani Tech Park Private Limited (KTPL). The company, along with Ramaiah Soft Tech Park (RSTP) (a firm in which MSRDB has 61% share), owns 14.0 lakh sft of leasable area in Helios Business Park. MSRDB has also developed another commercial office project, MSR North Tower (formerly known as MSR Pacman), with a total leasable area of 4.5 lakh sft at Nagwara in Bangalore. The project is through a JDA with Micro Constructions with MSRDB holding around 2.6 lakh sft area.

Key financial indicators

Consolidated	FY2022	FY2023
	Audited	Audited
Operating income	70.5	94.1
PAT	28.5	34.5
OPBDIT/OI	82.7%	80.6%
PAT/OI	40.4%	36.6%
Total outside liabilities/Tangible net worth (times)	3.6	3.2
Total debt/OPBDIT (times)	9.2	7.3
Interest coverage (times)	1.7	1.7

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

Sl. No.	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
					Jan 16, 2024	Mar 17, 2023	Feb 22, 2022	Dec 15, 2020
1	Term loan	Long term	581.0	530.1	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Unallocated	Long term	4.0	-	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-
3	Term loan	Long term	-	-	-	-	[ICRA]BBB (Stable); Withdrawn	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term – Unallocated	NA

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 I	Feb 2021	NA	Mar 2036	200.00	[ICRA]BBB+ (Positive)
NA	Term loan II	Nov 2021	NA	Sept 2035	381.00	[ICRA]BBB+ (Positive)
NA	Unallocated	NA	NA	NA	4.00	[ICRA]BBB+ (Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	MSRDB Ownership	Consolidation Approach
M S Ramaiah Developers and Builders Pvt Ltd	Rated entity	Full consolidation
Ramaiah Soft Tech Park	61.00%	Full consolidation

Source: Company

Corrigendum

Rationale dated January 16, 2024, has been revised with correction in interest coverage in key financial indicators on page number 3.

ANALYST CONTACTS

Rajeshwar Burla

+91 40 4547 4829

rajeshwar.burla@icraindia.com

Anupama Reddy

+91 40 4547 4829

anupama.reddy@icraindia.com

Abhishek Lahoti

+91 40 4547 4829

abhishek.lahoti@icraindia.com

Riddham Agarwal

+91 80 4332 6405

riddham.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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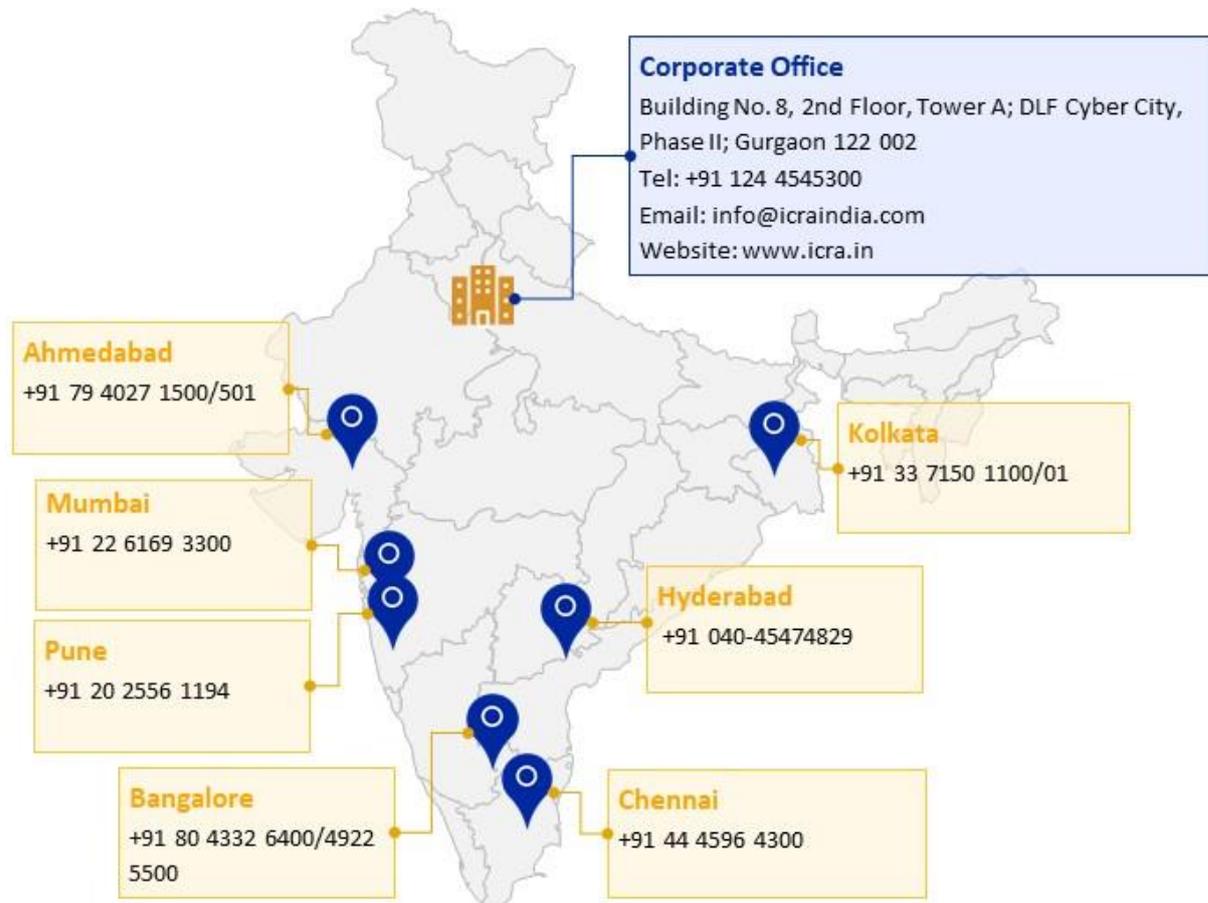
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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