

May 28, 2024

## Rupa Infotech & Infrastructure Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	240.00	240.00	[ICRA]BBB- (Stable); reaffirmed
Overdraft#	(10.00)	(10.00)	[ICRA]BBB- (Stable); reaffirmed
<b>Total</b>	<b>240.00</b>	<b>240.00</b>	

\*Instrument details are provided in Annexure-I

# Overdraft is a sub-limit of term loans

### Rationale

The rating reaffirmation for Rupa Infotech & Infrastructure Private Limited (RIIPL)<sup>1</sup> factors in the improved occupancy for its commercial office projects and expected ramp-up in its hotel operations. The Group (includes RIIPL and Rupa Renaissance Limited (RRL)) operates three office assets at a consolidated occupancy of 91% as of March 2024, which improved from 62% in December 2022. The hotel became operational in May 2023, and achieved an average occupancy of 40% in 9M FY2024, while the ARR and RevPAR stood at Rs. 8,800 and Rs. 3,500. ICRA expects the occupancy to improve to 60% in FY2025, while the RevPAR is likely to be in the range of Rs. 5,500 to Rs. 5,700, driven by pick up in business travel and meeting, incentives, conferences, and exhibitions (MICE). The rating continues to factor in the favourable location of all the assets with healthy connectivity to various business and residential suburbs of Mumbai, and the diverse lessee profile, consisting of information technology (IT), IT enabled services (ITeS), financial services companies, restaurants, and banks, among others. The LRD facilities availed by RIIPL and RRL from bank requires maintaining a DSRA and have an escrow mechanism with a defined cash flow waterfall. The rating notes the Group's established track record in the real estate development in the Mumbai and Navi Mumbai regions spanning over two decades.

The rating, however, is constrained by the high leverage with estimated LRD debt to net operating income (NOI) ratio of around 7.4 times as of March 2025, on a consolidated basis. The coverage indicators for the LRD loans are projected to remain moderate with five-year average DSCR in the range of 1.14-1.16 times in FY2025-FY2029 on a consolidated basis. The rating factors in the exposure to vacancy risk with around 15% and 12% of the area due for expiry in FY2025 and FY2026, respectively, in RIIPL. Any material decline in occupancy from the current levels can put pressure on the consolidated debt coverage metrics and liquidity profile. The rating is also constrained by the company's exposure to execution, funding, and market risks for its upcoming project Rupa Crystal, comprising a commercial office park of 1 million square feet (msf) and a hotel of ~150 keys. The project is currently in the nascent stage with land in place and approvals pending. The project cost is estimated at Rs. 500 crore and is proposed to be funded in a debt to equity mix of 65:35. It is exposed to funding risk as the debt is yet to be tied up and 79% of equity is yet to be infused. ICRA also notes the diminution in value of investment made by RIIPL in RRL, as evident from a loss of Rs. 112 crore incurred in FY2024 from sale of its entire stake of 30.67% by RIIPL in RRL, which led to erosion of net worth. Nonetheless, ICRA expects RIIPL to provide timely financial support to RRL for funding shortfall, if any, given their high operational, financial, and managerial linkages, RRL's strategic importance for the Group and RIIPL's reputation sensitivity to default.

<sup>1</sup>ICRA has considered the consolidated financial and operational profile of RIIPL and RRL, given their significant business, financial and managerial linkages and RRL's strategic importance for the group and the RIIPL's reputation sensitivity to default. RIIPL has also extended corporate guarantee for some of the latter's debt facilities.

The Stable outlook on the rating reflects ICRA's opinion that the Group will maintain healthy occupancy levels for its commercial assets, supported by favourable location of the assets, ramp up its hotel operations and complete the upcoming commercial project without material time and cost overruns.

## Key rating drivers and their description

### Credit strengths

**Favourable location of assets** – RIPL owns a leasable area of 0.38 msf across two commercial properties – The Platinum Techno Park at Vashi and The Rupa Solitaire Park at Mahape, Navi Mumbai. These properties reported an occupancy of 96% as of March 2024, on a consolidated basis. The assets are favourably located and are well connected to various business and residential suburbs of Mumbai. The location for the business park and hotel developed under RRL, in Turbhe, Navi Mumbai, is also favourable with good connectivity to business and residential suburbs of Mumbai.

**Healthy occupancy levels** – The occupancy levels for RIPL and RRL stood healthy at 96% and 89% as of March 2024. The hotel became operational in May 2023, and achieved an average occupancy of 40% in 9M FY2024, while the ARR and RevPAR stood at Rs. 8,800 and Rs. 3,500. ICRA expects the occupancy to improve to 60% in FY2025, while the RevPAR is estimated to be in the range of Rs. 5,500 to Rs. 5,700, driven by pick up in business travel and MICE. The Group's ability to sustain healthy occupancy levels, along with realisation of scheduled escalations and improvement in RevPAR for the hotel operations will be critical for improvement its debt coverage indicators.

**Established track record of the Rupa Group of over two decades in real estate development** – The Rupa Group is involved in real estate development and commenced operations in 1994 led by Mr. Bimal Desai, its Chairman and Managing Director. With major assets located in Mumbai, the Group has developed an area of 3.3 msf across 15 residential, IT parks/commercial and mixed-use, as well as hospitality projects.

### Credit challenges

**High leverage and moderate coverage indicators; exposure to vacancy risk and escalation risk** – At a consolidated level, the leverage is estimated to remain high with LRD debt to NOI of around 7.4 times as of March 2025. The coverage indicators for the LRD loans are likely to remain moderate with five-year average DSCR in the range of 1.14-1.16 times in FY2025-FY2029 on a consolidated basis. The Group is exposed to vacancy risk with around 15% and 12% of the area due for expiry in FY2025 and FY2026, respectively, in RIPL. The Group faces escalation risk with most leases having an annual escalation. Nonetheless, ICRA draws comfort from the company's demonstrated leasing track record and competitive rentals rates.

**Exposure to execution, funding, and market risk for the upcoming project - Rupa Crystal** – The company faces execution, funding and market risks for its upcoming commercial project named Rupa Crystal. The project is estimated to have a commercial office park of 1 msf and a hotel of ~150 keys. The project would be completed within a span of 3 years. The project is currently in the nascent stage with land in place and approvals pending. The excavation and ground levelling work has started, and the company will be applying for the requisite approvals over the next 2-3 months. The project cost is estimated at Rs. 500 crore and is proposed to be funded in a debt to equity mix of 65:35. It is exposed to funding risk as the debt is yet to be tied up and 79% of equity is yet to be infused.

**Reduction in net worth** – RIPL had invested Rs. 163 crore for 30.67% stake in RRL, which was sold to individuals of the Desai family for Rs. 51 crore (at a loss of Rs. 112 crore) in FY2024, resulting in erosion of net worth.

### Liquidity position: Adequate

The liquidity profile is adequate with free cash and bank balance of Rs. 6.7 crore and undrawn overdraft limit of Rs. 18.1 crore on a consolidated basis. RIPL's and RRL's cash flows from operations are estimated to be adequate to meet the debt obligations.

## Rating sensitivities

**Positive factors** – Sustained growth in the company’s operating cash flows, driven by ramp-up in hotel operations, increase in rental rates for commercial office while maintaining strong occupancy, along with reduction in debt levels, leading to a significant improvement in the consolidated debt protection metrics, on sustained basis, could lead to a rating upgrade.

**Negative factors** – Negative pressure on the company’s rating could arise in case of significant decline in occupancy levels or a considerable increase in indebtedness resulting in weakening of debt protection metrics on a consolidated basis. Specific credit metric leading to a rating downgrade would be average five-year DSCR remaining below 1.1 times, on a sustained basis. Additionally, any substantial cost overrun or unforeseen delays in completing the upcoming commercial project could exert pressure on the company’s rating.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Realty – Lease Rental Discounting (LRD)</a> <a href="#">Hotels</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial and operational profile of RI IPL and RRL, given their significant business, financial and managerial linkages and RRL’s strategic importance for the group and RI IPL’s reputation sensitivity to default. RI IPL has also extended corporate guarantee for some of the latter’s debt facilities

## About the company

Rupa Infotech and Infrastructure Private Limited (RI IPL) is primarily focused on construction of commercial buildings and IT Parks, along with other speciality constructions. Incorporated in 2005, RI IPL is a Mumbai-based company involved in the real estate development. It is a part of the Rupa Group, which is involved in real estate development and commenced operations in 1994, led by Bimal Desai, Chairman and Managing Director of the Group. The Group has developed over 3.2 msf of commercial, residential, retail, hospitality spaces predominantly in Navi Mumbai.

The Group operates two office parks named, The Platinum Techno Park at Vashi and The Rupa Solitaire Park at Mahape, Navi Mumbai under Rupa Infotech & Infrastructure Private Limited (RI IPL). The Group has also developed and operates an office park, and a hotel with 129 keys, in Juinagar, Navi Mumbai, under Rupa Renaissance Limited (RRL).

## Key financial indicators (audited)

RI IPL + RRL (Consolidated)^	FY2023	FY2024*
Operating income	59.1	99.0
PAT	24.3	-108.1
OPBDIT/OI	50.6%	52.9%
PAT/OI	41.1%	-109.3%
Total outside liabilities/Tangible net worth (times)	2.2	3.9
Total debt/OPBDIT (times)	22.2	14.4
Interest coverage (times)	0.5	0.9

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; \* Provisional; ^ ICRA consolidated figures

## Status of non-cooperation with previous CRA

CRA	Status	Date of release
Brickwork Ratings	BWR B Outlook: Stable; Downgraded & ISSUER NOT CO-OPERATING	Sept 08, 2023

Any other information: None

## Rating history for past three years

Instrument		Current rating (FY2025)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
					May 28, 2024	-	Feb 17, 2023	Dec 29, 2021	Dec 22, 2021
1	Term loans	Long term	240.00	225.2	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
2	Overdraft <sup>#</sup>	Long term	(10.00)	-	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-

<sup>#</sup> Overdraft is a sub-limit of term loans

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loans	Simple
Long-term – Overdraft	Very 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	Aug 30, 2021	-	FY2037	240.00	[ICRA]BBB- (Stable)
NA	Overdraft	Aug 30, 2021	-	-	(10.00)	[ICRA]BBB- (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

Company Name	Relationship	Consolidation Approach
Rupa Renaissance Limited	Group Company	Full Consolidation

Source: Company data, ICRA Research

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