May 07, 2025

RMZ Construction (India) Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund based/Term loan	650.00	825.00	[ICRA]A- (Stable); reaffirmed/assigned for enhanced amount
Total	**650.00**	**825.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for RMZ Construction (India) Private Limited (RCIPL) factors in the sustained ramp-up in occupancy levels to 97% as of March 2025 from 86% (including hard option) as of July 2024, which is expected to sustain in the medium term. In its first full year of operations (FY2026), the company is likely to report healthy rental inflows of Rs. 100-105 crore. Backed by healthy leasing, the company has refinanced its construction finance (CF) loan into lease rental discounting (LRD) loan with a top-up amount in Q3 FY2025. Although the leverage as measured by total external debt/net operating income (NOI) is projected to remain high at around 7.5 times as of March 2026 because of top-up debt sanction of Rs. 175 crore, the debt coverage metrics are expected to remain adequate with five-year average DSCR of around 1.2-1.25 times during FY2026-FY2030. The rating considers the favourable project location at Hitec City, Hyderabad, which enhances the marketability. The rating draws comfort from the strong promoters, where 50% stake is held each by the RMZ Group and Canada Pension Plan Investment Board (CPPIB), which lends strong financial flexibility. The RMZ Group has a strong execution track record in the real estate space 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 commercial real estate space across several cities.

The rating considers RCIPL's exposure to high tenant concentration risk in the asset, with top five tenants occupying 87% of the total leasable area. Nonetheless, the reputed tenant profile, along with long lease tenures and lock-in period of around 40 months mitigate the risk to an extent. The rating factors in the single-asset nature of the company and the dependence on revenues from a single property, exposing it to asset concentration risk. It remains exposed to the inherent cyclicality in the commercial 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 material reduction in occupancy levels.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the attractive location of the asset, healthy occupancy levels which will result in steady rental revenues and adequate debt coverage metrics.

Key rating drivers and their description

Credit strengths

Strong occupancy levels and adequate debt coverage metrics despite expected increase in indebtedness – The occupancy levels improved to 97% as of March 2025 from 86% (including hard option) as of July 2024, which is expected to sustain in the medium term. In its first full year of operations (FY2026), the company is projected to report healthy rental inflows of Rs. 100-105 crore. Backed by healthy leasing, it has refinanced the CF loan into LRD loan with a top-up amount in Q3 FY2025. Although the leverage as measured by external debt/NOI is likely to increase to 7.5 times by March 2026 because of top-up debt sanction of Rs. 175 crore, the debt coverage metrics are anticipated to remain adequate with five-year average DSCR of around 1.2-1.25 times during FY2026-FY2030.

Favourable location of the asset – The RMZ Spire project is in Hitec City, Hyderabad, which has seen a significant growth in demand and absorption of leased office spaces. The area is characterised by a good infrastructure and has been a preferred micromarket for multinational companies taking up space in and around Hyderabad. The favourable location of the project enhances its marketability.

Established track record of promoter groups in commercial real estate – RCIPL is a 50:50 special purpose vehicle (SPV) of the RMZ Group and the CPPIB Group, which lends strong financial flexibility. The RMZ Group has a healthy execution track record in the real estate space 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 several cities.

Credit challenges

High leverage due to top-up debt availed – The leverage as measured by debt/NOI is expected to remain high at around 7.5 times by March 2026 because of top-up debt sanction of Rs. 175 crore. Nonetheless, it is likely to improve in the medium term with scheduled debt repayments.

High tenant and asset concentration risks – RCIPL is exposed to high tenant concentration risk in the asset, with top five tenants occupying 87% of the total leasable area. Nonetheless, the reputed tenant profile, along with long lease tenures and lock-in period of 40 months mitigate the risk to an extent. The rating factors in the single-asset nature of the company and the dependence on revenues from a single property, exposing it to asset concentration risk.

Exposure to cyclicality in commercial real estate – The company remains exposed to the inherent cyclicality in the real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to changes in interest rates or material reduction in occupancy levels.

Liquidity position: Adequate

RCIPL's liquidity profile is adequate, corroborated by cash and cash balances of around Rs. 15 crore as of March 2025. Further, the company maintains 3 months of principal and interest payment as debt service reserve account (DSRA). The debt repayment obligations in FY2026 stood at Rs. 72 crore, which can be comfortably serviced through its estimated cash flow from operations. There are no capex plans for this entity.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a material improvement in the debt protection metrics on a sustained basis. A specific credit metric that could lead to an upgrade is if the five-year average DSCR is greater than 1.25 times, on a prolonged basis.

Negative factors – Pressure on the rating could emerge if there is any material decline in the occupancy levels or significant increase in indebtedness resulting in deterioration of debt protection metrics, 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

RMZ Construction (India) Private Limited (RCIPL) is a special purpose vehicle (SPV) incorporated by the RMZ Group for executing the RMZ Spire project located in Hyderabad. The project involves development and leasing of 1.72 msf of office space in Knowledge City, Hyderabad, on a 5-acre land parcel. The project was developed under a joint development agreement (JDA), wherein RCIPL's share of the ownership in the leasable area is 1.03 msf (60%). RCIPL is a 50:50 joint venture between the RMZ Group and Canada Pension Plan Investment Board (CPPIB). The company has received occupancy certificate (OC) for RCIPL's share on June 5, 2024, and the project is 97% leased (for RCIPL's share) as of March 2025.

Key financial indicators

Not meaningful as FY2026 will be first full year of operations.

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 7, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long-term fund based – Term loan	Long term	825.00	[ICRA]A- (Stable)	Aug 20, 2024	[ICRA]A- (Stable)	Jul 28, 2023	[ICRA]BBB+ (Stable)	May 12, 2022	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Term loan	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 loan**	FY2025	NA	FY2040	825.0	[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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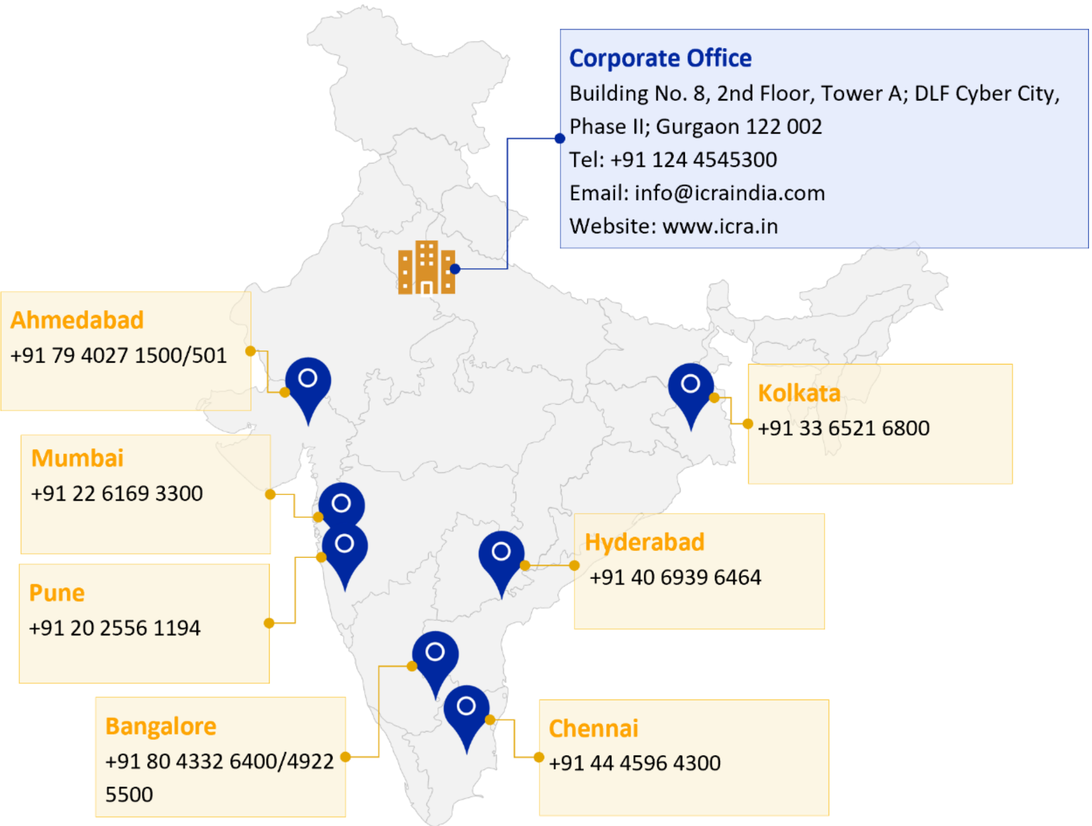

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