May 26, 2025

RMZ Hotels Private Limited: Rating reaffirmed, and outlook revised to Positive from Stable; 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	2120.00	2140.00	[ICRA]A- (Positive); reaffirmed/assigned for the enhanced amount; outlook revised to Positive from Stable
Long-term - Non-Fund based – Forward Cover/CEL	-	42.80	[ICRA]A- (Positive); assigned
Total	**2120.00**	**2182.80**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation and revision in outlook to Positive for RMZ Hotels Private Limited (RHPL) factors in the expected improvement in debt protection metrics following the sustained ramp-up in occupancy levels in Phase 1 [~1.7 million square feet (msf)] of the Ecoworld (EW) 30 project and the likely ramp-up in leasing in Phase 2 (1.7 msf) in the near term. The occupancy levels for Phase 1 of the project improved to 99% as of March 2025 from 80% as of July 2024, which is expected to sustain in the medium term. Further, the company achieved 20% pre-leasing in Phase 2 of the project as of April 2025. Backed by healthy market demand and attractive location of the project, the leasing for Phase 2 is expected to significantly ramp-up in the near term. The leverage as measured by total external LRD debt/net operating income (NOI) is projected to remain adequate at around 7.2 times as of March 2026 (PY: 7.3 times). However, the debt coverage metrics are expected to remain comfortable with five-year average DSCR of around 1.35-1.40 times during FY2026-FY2030. The rating considers the presence of strong promoters, where 50% stake is held each by the RMZ Group and Mitsui Fudosan, 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. It has developed over 25 msf of commercial real estate space across several cities. The rating considers the asset's favourable location in Outer Ring Road (ORR), Bengaluru, enhancing the marketability of the project.

The rating, however, is constrained by the moderate execution risk for the under-construction assets (Phase 2 of the project comprising EW30 and EW33 towers) as 70% of the total construction cost of Phase 2 is yet to be incurred as of March 2025. The same is likely to be completed over the next 12-15 months. The pending project cost is expected to be funded through a CF debt of Rs. 1,151 crore, which is anticipated to be sanctioned in Q1 FY2026. Though 20% of the area has been pre-leased, the company is exposed to high market risk for the balance area in Phase 2. However, comfort can be drawn from the healthy leasing demand in the micromarket, attractive location of the property, which enhances the marketability of the project and the strong leasing track record of the RMZ Group. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

Key rating drivers and their description

Credit strengths

Strong occupancy levels for Phase 1 of project and comfortable debt protection metrics – The Phase 1 of the EW30 project witnessed sustained ramp-up in occupancy levels to 99% as of March 2025 from 80% as of July 2024, which is expected to sustain in the medium term. The leverage as measured by total external LRD debt/net operating income (NOI) is projected to remain adequate at around 7.2 times as of March 2026 (PY: 7.3 times). However, the debt coverage metrics are likely to remain comfortable with five-year average DSCR of around 1.35-1.40 times during FY2026-FY2030.

Favourable location of the asset – RMZ EW30 project is located on ORR, Bengaluru, which has seen a significant growth in demand and absorption of leased office space. The Group has demonstrated healthy performance in the earlier phases of Ecoworld campus. The favourable location will enhance the marketability of the project. ICRA notes that the project's micromarket witnesses the highest absorption of office space in the city and the existing Ecoworld campus operates at high occupancy with a reputed tenant profile.

Established track record of promoter groups in commercial real estate – RHPL is a 50%:50% special purpose vehicle (SPV) held by the RMZ Group and Mitsui Fudosan, 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 msf of commercial real estate space across several cities.

Credit challenges

Exposure to moderate execution risk and market risk in Phase 2 of project – The company is exposed to moderate execution risk for the under-construction assets (Phase 2 of the project comprising EW30 and EW33 towers) as 70% of the total construction cost of Phase 2 is yet to be incurred as of March 2025. The same is likely to be completed over the next 12-15 months. The pending project cost is expected to be funded through a CF debt of Rs. 1,151 crore, which is likely to be sanctioned in Q1 FY2026. Though 20% of the area has been pre-leased, the company is exposed to high market risk for the balance Phase 2 area. However, comfort can be drawn from the healthy leasing demand in the micromarket, attractive location of the property, which enhances the marketability of the project and the strong leasing track record of the RMZ Group.

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

RHPL's liquidity profile is adequate, corroborated by cash and cash balances of around Rs. 373 crore as of March 2025. The pending project cost of Rs. 870-890 crore as on March 25, 2025, will be funded by undrawn LRD debt against EW32, expected CF debt for Phase 2, internal accruals and available liquidity. Further, the repayment obligations in FY2026 are at Rs. 46 crore, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – RHPL's rating might be upgraded if there is a healthy ramp-up in leasing of under-construction assets at adequate rental rates resulting in improvement in debt protection metrics on a sustained basis.

Negative factors – Downward pressure on the rating could arise if there is inability to achieve leasing tie-ups at adequate rental rates for the under-construction assets, or if there is a significant increase in indebtedness resulting in moderation of coverage and leverage metrics. Specific metric that can trigger a rating downgrade includes five-year average DSCR of less than 1.15 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

Akarshak Infrastructure Pvt Ltd (AIPL) (now RHPL, post-merger) was promoted by the Adarsh Group. It was incorporated on June 27, 2008, to construct, develop and manage a five-star hotel and serviced apartments. Subsequently, the RMZ Group bought 14.2 acres of land at Outer Ring Road, Bangalore, which is a part of the RMZ Ecoworld campus. The RMZ Group purchased the land bank, demolished the partly-built hotel structure to build a commercial office space. RHPL (erstwhile AIPL) started construction of the commercial office project – Ecoworld 30 – in FY2019.

The land for the project, measuring 14 acres 08.75 gunthas, is owned by the SPV and civil construction for development of 3.6 msf of commercial office space is in progress at present.

At present, the Phase 1 of EW30 project (comprising EW31 and EW32 towers) has been completed and fully operational. As on March 31, 2025, 50% of RHPL's share is held by the RMZ Group. The remaining shares of RHPL are held by Mitsui Fudosan (Asia) Pte Ltd.

Key financial indicators (audited)

RHPL (Standalone)	FY2024	9MFY2025*
Operating income (OI)	63.6	131.4
PAT	-60.1	-22.9
OPBDIT/OI	56.3%	79.7%
PAT/OI	-94.4%	-17.4%
Total outside liabilities/Tangible net worth (times)	2.1	2.3
Total debt/OPBDIT (times)	57.0	14.8
Interest coverage (times)	0.3	0.8

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

<table>
<tr><th rowspan="2"></th><th colspan="3">Current (FY2026)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th></th><th></th><th></th><th colspan="2">FY2025</th><th colspan="2">FY2024</th><th colspan="2">FY2023</th></tr>
<tr><th>Instrument</th><th>Type</th><th>Amount rated (Rs. crore)</th><th>May 26, 2025</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td rowspan="2">Long-term - Fund-based – Term loans</td><td rowspan="2">Long term</td><td rowspan="2">2140.00</td><td rowspan="2">[ICRA]A- (Positive)</td><td rowspan="2">Aug 02, 2024</td><td rowspan="2">[ICRA]A- (Stable)</td><td>Dec 01, 2023</td><td>[ICRA]A- (Stable)</td><td>Aug 16, 2022</td><td>[ICRA]A- (Stable)</td></tr>
<tr><td>Nov 15, 2023</td><td>[ICRA]A- (Stable)</td><td>-</td><td>-</td></tr>
<tr><td>Long-term - Non-fund based – Forward cover/CEL</td><td>Long term</td><td>42.80</td><td>[ICRA]A- (Positive)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
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Unallocated limits	Long term	0.00	-	-	-	Dec 01, 2023	[ICRA]A- (Stable)		

Complexity level of the rated instrument

Instrument	Complexity indicator
Long-term - Fund based – Term loan	Simple
Long-term - Non-fund based – Forward cover/CEL	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
-	**Term loans - 1**	FY2024	-	FY2039	820.00	[ICRA]A- (Positive)
-	**Term loans - 2**	FY2025	-	FY2040	1,320.00	[ICRA]A- (Positive)
-	**Non-fund based – Forward cover/CEL**	-	-	-	42.80	[ICRA]A- (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 – Not Applicable

ANALYST CONTACTS

Ashish Modani
+91 22 6169 3300
ashish.modani@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Abhishek Lahoti
+91 40 6939 6433
abhishek.lahoti@icraindia.com

Preeti Rana
+91 124 4545 887
preeti.rana@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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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches