

## RMZ Azure Projects Private Limited

February 22, 2019

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	180.00	180.00	[ICRA]A(SO) (Stable); revised from [ICRA]A+(SO) (Stable)
<b>Total</b>	<b>180.00</b>	<b>180.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating is based on the strength of the corporate guarantee provided by RMZ Infotech Private Limited (RIPL / the guarantor, rated [ICRA]A (Stable)) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date. The rating has been revised following revision in ratings assigned to the borrowing programmes of the guarantor.

### Outlook: Stable

RMZ Azure Projects Private Limited's rating outlook will be driven by the rating outlook of the guarantor (RMZ Infotech Private Limited).

### Key rating drivers

### Credit strengths

- **Corporate guarantee and undertaking provided by RIPL towards the rated bank facilities of the company:** The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by RIPL and undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

### Credit challenges

- **Refinancing risk:** RMZ Azure Projects Limited (RAPPL) is developing an office building with total leasable area of 0.4 million square feet (msf). The construction of the building is nearly complete and the company has applied for Occupancy Certificate (OC). Leasing is also in advanced stages. The rated construction loan availed for the project is to be repaid by June 2021 out of the proceeds from the lease rental discounting (LRD) loan to be availed against the rental income.

### Liquidity Position:

The balance cost to be incurred on the project can be met through the available drawdown on the construction loan and the security deposits to be received from tenants. The rated loan has a moratorium till June 2021 and liquidity support in the form of an interest reserve covering 3 months of interest payments due.

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating methodology for debt backed by lease rentals</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	Parent/Group Company: The assigned rating is based on an unconditional, irrevocable corporate guarantee extended by RMZ Infotech Private Limited
Consolidation / Standalone	The rating is based on corporate guarantee and undertaking provided by the guarantor, that it would ensure that the related debt obligations are serviced on or prior to the due date

## About the company:

RMZ Azure Projects Private Limited (RAPPL, formerly GMR Hebbal Towers Private Limited) is a 100% subsidiary of RIPL. This company was earlier part of the GMR group and held the land parcel of 1.92 acres in Hebbal, Bangalore. Subsequently, GMR sold off the company to the RMZ Group in FY2015. RIPL acquired RAPPL from a group company in FY2017. RAPPL is developing a commercial office space with built-up area of around 0.4 million square feet (msf). The project is almost complete with 95% financial progress and leasing also in the final stages.

## About the guarantor

RIPL belongs to the RMZ Group of companies, one of the leading players in the commercial real estate segment in Bangalore. Beginning in 1997, the Group's activities are concentrated on the commercial property (office) segment largely in Bangalore; other locations where the RMZ Group has completed projects include Pune, Kolkata, Chennai and Hyderabad. RIPL is wholly owned by the Menda family through its holding companies, Millennia Realtors Private Limited and RMZ Infotech Pune Private Limited.

At present, RIPL has a portfolio of completed commercial office space aggregating to 13.1 msf of which 5.7 msf is owned by RIPL and the rest by REIPL. RIPL will be undertaking development of close to 9.6 msf of office space through certain other subsidiaries. On completion of all the planned acquisitions and development activities, RIPL will have a consolidated leasing portfolio of 23.0 msf by FY2022.

## RAPPL's key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-20	-2
OPBDIT/OI (%)	-	-
RoCE (%)	n.m.	n.m.
Total Debt/TNW (times)	2.0	4.6
Total Debt/OPBDIT (times)	n.m.	n.m.
Interest coverage (times)	-	-

Source: RAPPL

n.m.: not meaningful

### RIPL's key financial indicators (audited)

	FY 2017	FY 2018
Operating Income (Rs. crore)	1,056	1,026
PAT (Rs. crore)	33	3
OPBDIT/ OI (%)	66%	70%
RoCE (%)	11%	10%
Total Debt/ TNW (times)	3.7	3.8
Total Debt/ OPBDIT (times)	9.3	9.3
Interest coverage (times)	1.3	1.2

Source: RIPL

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on Mar 2018	Date & Rating Feb 2019	Date & Rating in FY2018 Jan 2018	Date & Rating in FY2018 Nov 2017	Date & Rating in FY2018 Apr 2017	Date & Rating in FY2017 -
Term Loan	Long Term	180.0	118.0	[ICRA]A (SO) (Stable)	[ICRA]A+ (SO) (Stable)	Provisional [ICRA]A+ (SO) (Stable)	Provisional [ICRA]A+ (SO) (Stable)	-

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Outlook	Rating and
NA	Term Loan	Aug-2017	-	Jun-2021	180.0	[ICRA]A (SO)	(Stable)

Source: company

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