

August 30, 2019

RMZ Azure Projects Private Limited: Long-term rating reaffirmed at [ICRA]A (SO); outlook revised to Negative

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) reaffirmed; outlook revised from Stable to Negative
Total	180.00	180.00	

*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 (Negative)) 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: Negative

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

Sensitivity to promoter (RIPL's) rating – The rating primarily reflects the credit strength of RIPL as the guarantor and undertaking provider ensuring that the related debt obligations are serviced timely. Hence any adverse movement in the rating of RIPL may result in rating action on the company's facilities.

Refinancing risk: RMZ Azure Projects Limited (RAPPL) has recently completed the construction of an office building with total leasable area of 0.45 million square feet (msf). Around 30% of the area has been leased out and for the remaining area the leasing progress 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 liquidity position of the company is expected to be driven by the liquidity profile of the guarantor. In addition, 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	Corporate Credit Rating Methodology Rating methodology for debt backed by lease rentals Approach for rating debt instruments backed by third-party explicit support
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 0.45 million square feet (msf). The project is now complete with 30% occupancy as on date. The leasing for the remaining area is also in advanced 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 13.9 msf of which 5.8 msf is owned by RIPL, 7.4 msf by REIPL, and the rest by RICL and RAPPL. RIPL is undertaking development of over 7.5 msf of office space through certain other subsidiaries.

RAPPL's key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-2.1	0.2
OPBDIT/OI (%)	-	-
RoCE (%)	n.m.	n.m.
Total Debt/TNW (times)	8.6	9.8
Total Debt/OPBDIT (times)	n.m.	n.m.
Interest coverage (times)	n.m.	n.m.

Source: RAPPL

n.m.: not meaningful

RIPL's key financial indicators (audited)

	FY 2018	FY 2019
Operating Income (Rs. crore)	1025.9	1213.1
PAT (Rs. crore)	6.4	45.6
OPBDIT/ OI (%)	70.9%	67.5%
RoCE (%)	9.8%	10.0%
Total Debt/ TNW (times)	3.9	5.3
Total Debt/ OPBDIT (times)	7.9	9.8
Interest coverage (times)	1.2	1.2

Source: RIPL

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2020)		Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on June 2019	Date & Rating Aug 2019	Date & Rating in FY2019 Feb 2019	Date & Rating in FY2018		
						Jan 2018	Nov 2017	Apr 2017
Term Loan	Long Term	180.0	169.0	[ICRA]A (SO) (Negative)	[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

Annexure-1: Instrument Details

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

Source: company

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