

February 17, 2023

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
Total	240.00	240.00	

*Instrument details are provided in Annexure-I

Overdraft facility are a sub-limit of term loans

Rationale

The rating reaffirmation continues to reflect the Rupa Group's¹ established track record in the real estate space in the Mumbai and Navi Mumbai regions, along with the management's experience spanning over two decades in the real estate industry. 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 (RIIPL). Both these office parks reported a healthy occupancy on a combined basis. The Group has constructed a business park, and an executive apartment project (hotel with 129 keys), in Juinagar, Navi Mumbai, under Rupa Renaissance Limited (RRL). The hotel is expected to become operational from April 2023. The rating factors 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 rating derives comfort from the presence of the escrow mechanism with a defined cash flow waterfall and the debt service reserve account (DSRA), as stipulated by the lenders, for the availed lease rental discounting (LRD) facilities.

The rating, however, is constrained by the high leverage levels with estimated total debt to cash flow from operations (CFO) ratio of around 8.0 times as of March 2023, on a consolidated basis. The coverage indicators for LRD loans remain moderate with estimated five-year average DSCR of 1.15 times in FY2023-FY2027 on a consolidated basis. While the occupancy levels for RIIPL stood healthy at 96% as on December 31, 2022, the same for RRL's business park remained modest at 49% of its total leasable area, as on January 31, 2023. Therefore, the Group's ability to achieve incremental leasing in RRL at adequate rental rates in a timely manner, and sustenance of healthy occupancy levels in RIIPL will be critical for improving its debt coverage indicators. This apart, timely liquidation of the area stipulated for sale in RRL, and stabilisation of hotel operations, would be important for ensuring adequate cash flows for servicing of non-LRD loans. The rating factors in the exposure to vacancy risk with around 16% and 31% of the area upcoming for expiry in FY2024 and FY2025, respectively, in RIIPL. Weighted average balance lease tenure for the properties of RIIPL is pegged at 2.8 years as of December 2022, which accentuates the vacancy risk for the assets. Any significant decline in occupancy from the current levels can put pressure on the consolidated liquidity profile, given the moderate debt coverage indicators.

The Stable outlook on the rating reflects ICRA's opinion that the Group will benefit from the extensive experience of the promoters in managing commercial office space and favourable location of the projects. ICRA expects the Group to maintain

¹ICRA has consolidated the operational and financial profile of RIIPL and RRL, together referred as the Rupa Group, given their significant business, financial and managerial linkages. RIIPL holds 30.67% stake in RRL and has also extended corporate guarantee for some of the latter's debt facilities.

healthy occupancy levels for its assets under RIPL and achieve incremental leasing /liquidation of planned area at adequate rates under RRL in a timely manner.

Key rating drivers and their description

Credit strengths

Experienced management with over two decades of experience in real estate industry – 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 mn sq ft across 15 residential, IT parks/commercial and mixed-use, as well as hospitality projects.

Favourable location of assets – RIPL owns a leasable area of 0.38 mn sq ft 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 on December 31, 2022, on a consolidated basis. The assets are favourably located and are well connected to various business and residential suburbs of Mumbai. The current consolidated occupancy levels for both the properties remain healthy at 96%, improved from 86% as of November 2021. The lease concentration risk remains moderate with the top five tenants occupying 55% of the total leasable area as on December 31, 2022. The location for the business park and hotel developed RRL in Turbhe, Navi Mumbai, is also favourable with good connectivity to business and residential suburbs of Mumbai.

Presence of structural features such as escrow mechanism and DSRA – The LRD facilities availed by RIPL and RRL from bank requires maintaining a DSRA. Comfort is also derived from the presence of the escrow mechanism with a defined cash flow waterfall, as stipulated by the lenders, for the LRD loans availed by both RIPL and RRL.

Credit challenges

High leverage and moderate coverage indicators – At a consolidated level, the leverage remained high with estimated Debt to CFO ratio of around 8.0 times as of FY2023. The coverage indicators remained moderate with five-year average DSCR of 1.15 times in FY2023-FY2027 for the total LRD debt under RIPL and RRL. Additionally, there are non-LRD loans, servicing of which will depend upon timely liquidation of the area identified for sale, along with stabilisation and ramp-up of hotel operations.

Exposure to vacancy risk and escalation risk – The Group is exposed to vacancy risk with around 16% and 31% of the area (on a consolidated basis) upcoming for expiry in FY2024 and FY2025, respectively, in RIPL. The Group faces escalation risk with most leases having an annual escalation. Nonetheless, the management expects these leases to be renewed along with the scheduled escalations. ICRA draws comfort from the company's demonstrated leasing track record and competitive rentals rates.

Modest leasing for business park and lack of operational track record for hotel developed by RRL – RRL, an associate company of RIPL, has completed a business park, which includes a commercial project (totalling 14.3 lakh sq ft), along with an executive apartment project (hotel with 129 keys), at Juinagar, Navi Mumbai. The business park has been able to tie-up leases for 49% of its total leasable area of 0.98 mn sq ft, as of January 2023. The remaining 0.45 mn sq ft of area of the business park has been kept for outright sale, of which 0.05 mn sq ft has been sold in the current fiscal. The hotel is nearing completion and is expected to be operational by April 2023. RRL has refinanced its entire construction finance loan by LRD loans of Rs. 317 crore, principal repayments of which have commenced. Therefore, the company's ability to achieve incremental leasing in a timely manner and at adequate rental rates, will be critical for timely debt servicing of LRD loans. Additionally, RRL has a few non-LRD loans. Timely liquidation of the remaining 0.4 mn sq ft of area, which is for sale and stabilisation of hotel operations, would be important for ensuring adequate cash flows for servicing of non-LRD loans.

Liquidity position: Adequate

The liquidity profile is adequate with free cash and bank balance of Rs. 6.8 crore as on November 30, 2022, on a consolidated basis. Additionally, DSRA balance of around Rs. 35.0 crore has been maintained at a consolidated level. With a ballooning repayment structure, RI IPL's rental income is estimated to be adequate to meet the debt obligations in the rated LRD facility. The rental income in RRL, along with timely liquidation of area to be sold, is estimated to be adequate to meet the debt obligations for the company's outstanding facilities.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if significant ramp-up in occupancy levels at adequate rental rates lead to healthy and sustained increase in operating cash flows, thereby resulting in significant improvement in leverage and debt coverage indicators on a consolidated basis.

Negative factors – Negative pressure on the company's rating could arise in case of significant decline in occupancy levels and/or the company's inability to liquidate the area identified for sale in a timely manner, results in substantial weakening in debt protection metrics on a consolidated basis. Any further increase in debt levels leading to average five-year DSCR remaining below 1.1 times, on a sustained basis, may also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rental Rating Approach - Consolidation
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, as RI IPL holds 30.67% stake in RRL and 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 Park, along with other speciality constructions. Incorporated in 2005, RI IPL, is a Mumbai-based company involved in the real estate development. RI IPL is a part of the Rupa Group, which is engaged in real estate development and commenced its operations in 1994 led by Bimal Desai, Chairman and Managing Director of the Group. The Group has developed over 3.2 mn sq ft of commercial, residential, retail, hospitality spaces predominantly in Navi Mumbai.

The Group's portfolio includes Rupa Renaissance, Rupa Sapphire, Rupa Solitaire & Platinum Technopark, which has been leased to internationally renowned corporates. The Group's portfolio covers Marriott Executive Apartments, a five-star service apartment hotel set up at Rupa Renaissance Business Park, in Juinagar, Navi Mumbai. The Rupa Group has also been involved in various social projects under Jasu Jyot Foundation, dedicated to providing support in various aspects of education, food and shelter, student living, etc, to those in need.

Key financial indicators (audited)

RIIPL Standalone	FY2021	FY2022
Operating income	39.0	38.2
PAT	0.4	-4.8
OPBDIT/OI	60.1%	56.5%
PAT/OI	1.1%	-12.5%
Total outside liabilities/Tangible net worth (times)	2.6	3.2
Total debt/OPBDIT (times)	9.8	12.1
Interest coverage (times)	1.0	0.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; all ratios as per ICRA calculations

RIIPL + RRL (Consolidated)^	FY2021	FY2022
Operating income	39.0	41.4
PAT	0.51	-17.66
OPBDIT/OI	60.1%	53.4%
PAT/OI	1.3%	-42.7%
Total outside liabilities/Tangible net worth (times)	3.0	5.1
Total debt/OPBDIT (times)	23.3	34.1
Interest coverage (times)	1.0	0.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; ^ICRA consolidated figures; all ratios as per ICRA calculations

Status of non-cooperation with previous CRA

CRA	Status	Date of release
Brickwork Ratings	BWR B+ Outlook: Stable; Downgraded & ISSUER NOT CO-OPERATING	Sept 06, 2022

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)			Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 15, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020
				Feb 17, 2023	Dec 29, 2021	Dec 22, 2021	-	-
1	Term loans	240.0	227.8	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-
2	Overdraft [#]	(10.0)		[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-	-	-

[#] Overdraft facility are 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 Facilities	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	8.70%	FY2037	240.00	[ICRA]BBB- (Stable)
NA	Overdraft Facilities	Aug 30, 2021	8.70%	-	(10.00)	[ICRA]BBB- (Stable)

Source: Company data

[Please click here to view details of lender-wise facilities rated by ICRA.](#)

Annexure II: List of entities considered for consolidated analysis.

Company Name	RIIPL's Ownership	Consolidation Approach
Rupa Renaissance Limited	31%	Full Consolidation

Source: RIIPL's annual report

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4067 6527
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4067 6516
anupama.reddy@icraindia.com

Tushar Bharambe
+91 22 6169 3347
tushar.bharambe@icraindia.com

Mihir Gada
+91 22 6114 3400
mihir.gada@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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



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