

March 29, 2025

RGA Software Parks LLP: [ICRA]A+ (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – fund-based – Proposed term loan	800.00	[ICRA]A+ (Stable); assigned
Total	800.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to RGA Software Parks LLP (RSPL) factors in the favourable location of its assets, Surya Park (I, II, III and IV) in Electronic City, Bengaluru and Pritech Sez (Blocks 5-12) in Outer Ring Road, Bengaluru, reputed tenant profile and comfortable debt protection metrics. RSPL's consolidated occupancy for its assets stood at 77% as of February 2025 and is expected to improve in the medium term, supported by the favorable location. Although the firm has no debt outstanding as on February 28, 2025, it plans to avail a debt of around Rs. 800 crore in FY2026 and FY2027, towards land investments and construction of the proposed hotel project in Mysore. Despite the debt-funded capex, RSPL's debt protection metrics are expected to be comfortable with 5-year average debt service coverage ratio (DSCR) at 1.75-1.80 times in FY2026-FY2030 and debt/ cashflow from operations (debt/CFO) at 3.5-3.6 times as of March 2026. The rating notes the established operating profile of RSPL's assets and extensive experience of the promoters in the commercial real estate sector.

The rating is, however, constrained by the moderate overall occupancy levels at 77% as of February 2025 (78% as of August 2023). Further, RSPL's assets are exposed to moderate customer concentration risk, with top five tenants occupying around 42% of the total leasable area. Any sustained reduction in occupancy due to vacancy in space by the tenants may adversely impact RSPL's debt protection metrics. Nonetheless, the same is mitigated by the long-term contracts with its tenants, coupled with competitive market rent rates offered to them. Moreover, RSPL is exposed to execution risk associated with the development of the proposed hotel project in Mysore. The rating factors in the volatility in occupancy caused by economic downturns, which could impact the tenants' business risk profile. Further, the debt coverage metrics will be sensitive to fluctuations in interest rates, occupancy levels and timely scheduled escalation of rents.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that RSPL will be able to ramp up occupancy in the medium term, supported by the favourable location, while maintaining its comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Established operating profile of RSPL's assets with favourable location and reputed tenant base – The operational portfolio of the firm comprises four properties in Electronic City (Surya - I, II, III and IV, together admeasuring 0.84 msf) and two properties in Bellandur, Outer Ring Road (Pritech - I and II, together admeasuring 2.77 msf). Both the locations are prominent IT corridors of Bengaluru. The projects have an established operational profile with a reputed tenant base like Accenture, Intuit India, Tejas Global, Genpact, etc.

Comfortable debt protection metrics – The firm has no debt outstanding as on February 28, 2025. In FY2026 and FY2027, it plans to incur capex of Rs. 350-400 crore each over the next two fiscal years for acquisition of land and construction of the proposed hotel project in Mysore. Despite the debt-funded capex, RSPL's debt protection metrics are expected to be comfortable with 5-year average DSCR at 1.75-1.80 times in FY2026-FY2030 and debt/CFO at 3.5-3.6 times as of March 2026.

Credit challenges

Moderate occupancy levels and tenant concentration risk – As of February 2025, the occupancy levels of Surya Towers has increased to ~81% from ~54% as of August 2023. However, for Pritech SEZ blocks, the occupancy levels declined to ~75% against ~84% as of August 2023. The overall occupancy remains moderate at 77% as of February 2025 (78% as of August 2023). Further, it is exposed to moderate customer concentration risk, with top five tenants occupying around 42% of the total leasable area. Any sustained reduction in occupancy due to vacancy in space occupied by the tenants can impact RSPL’s debt protection metrics. Nonetheless, the same is mitigated by the long-term contracts with its tenants, coupled with competitive market rent rates offered to them.

Exposed to execution risk – RSPL plans to develop a proposed hotel project in Mysore, funded majorly by debt and as it is in the initial stages of planning, the project is exposed to execution risk.

Vulnerability of debt coverage indicators to changes in occupancy and interest rates – The rating factors in the volatility in occupancy caused by economic downturns, which could impact the tenants’ business risk profile. Further, the debt coverage metrics will be sensitive to fluctuations in interest rates, occupancy levels and timely scheduled escalation of rents.

Liquidity position: Adequate

RSPL’s liquidity position is adequate. It has free cash and liquid investments of around Rs. 97 crore as of November 2024. The debt repayment obligations of the proposed debt is expected to be comfortably serviced from the estimated cash flow from operations. RSPL plans to incur a capex of Rs. 350-400 crore each over the next two fiscal years for acquisition of land and construction of the proposed hotel project in Mysore, which will be primarily funded by debt.

Rating sensitivities

Positive factors – ICRA could upgrade RSPL’s rating if it demonstrates significant improvement in its operational risk profile through growth in scale of operations and diversification of the project portfolio.

Negative factors – Negative pressure on RSPL’s rating could emerge if there is any material decline in the occupancy or significant increase in indebtedness or investments in group companies adversely impacting the liquidity and credit metrics. Specific credit metric that could lead to a rating downgrade includes 5-year average DSCR falling below 1.6 times or external debt to cash flow from operation above 5 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

RGA Software Systems Private Limited (RSSPL) was involved in developing and operating office spaces in Bengaluru and its entire rental business undertaking was demerged and transferred to RGA Software Parks Private Limited (RSPPL) in June 2024. Thereafter, in December 2024, RSPPL was converted to RGA Software Parks LLP (RSPL). RSPL has an operational portfolio of two assets, Surya Park (I, II, III and IV) in Electronic City, Bengaluru, with an occupancy of ~81% and Pritech Sez (Blocks 5-12) in Bellandur, Outer Ring Road, Bengaluru, with an occupancy of ~75% as on March 15, 2025.

Key financial indicators (audited)

	FY2023	FY2024	7MFY2025*
Operating income	-	-	185.2
PAT	-0.0	0.3	75.3
OPBDIT/OI	-	-	52.5%
PAT/OI	-	-	40.7%
Total outside liabilities/Tangible net worth (times)	0.1	0.0	0.2
Total debt/OPBDIT (times)	-3.5	-	-
Interest coverage (times)	NM^	NM^	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, *as on November 10, 2024; ^Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount rated (Rs. crore)	March 29, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term - Proposed term loan- Fund-based	Long-term	800.00	[ICRA]A+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Proposed 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	Proposed term loan	NA	NA	NA	800.00	[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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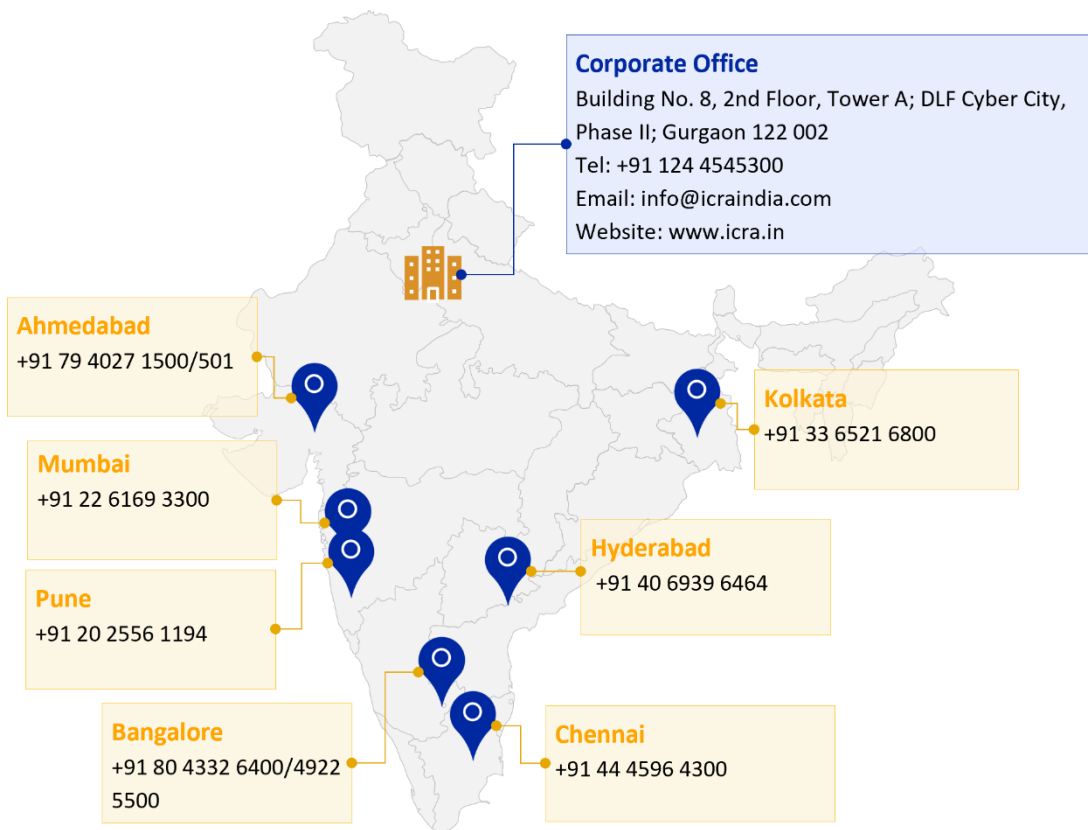
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