Rating Rationale

February 10, 2025 | Mumbai

Mindspace Business Parks REIT (Mindspace REIT)

Ratings reaffirmed at 'Crisil AAA/Stable/Crisil A1+'; Rated amount enhanced for Commercial Paper

Rating Action

Rs.175 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.500 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.570 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.100 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.450 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.800 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.225 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.500 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.550 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.50 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.150 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Rs.40 Crore Non Convertible Debentures	**Crisil AAA/Stable (Reaffirmed)**
Corporate Credit Rating	**Crisil AAA/Stable (Reaffirmed)**
Rs.1200 Crore (Enhanced from Rs.700 Crore) Commercial Paper	**Crisil A1+ (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AAA/Stable/Crisil A1+' ratings on the debt instruments of Mindspace Business Parks REIT (Mindspace REIT).

Mindspace REIT, sponsored by the K Raheja Corp group, comprises a portfolio of 10 commercial offices, IT parks, and SEZ assets, with a total operational area of 26.8 million square feet. (sq. ft.), as well as under-construction and planned development projects spanning 4.6 million sq. ft. and 3.4 million sq. ft., respectively. The REIT also houses a facility management division.

In the first nine months of fiscal 2025, Mindspace REIT's revenue saw 8% year-on-year increase, reaching Rs 1,885 crore, driven by stable rentals, contractual escalations, and improved occupancy rates. Net operating income (NOI) also rose by 7.5%, reaching Rs 1,522 crore, with a stable NOI margin of approximately 82.6%. As of December 31, 2024, committed occupancy stood at 89.6%, up from 86.1% as of December 31, 2023, largely due to increased occupancy in SEZ assets following denotification.

The REIT's consolidated gross debt increased to Rs 8,433 crore as of December 31, 2024, from Rs 6,991 crore as of March 31, 2024, primarily due to debt drawn to fund ongoing capital expenditures. The debt-to-NOI ratio stood at approximately 4.15 times as of December 31, 2024, up from 3.7 times as on March 2024, as the REIT continues to borrow to fund its under-construction projects. In addition, REIT has plans to acquire Commerzone Raidurg with leasable area of 1.8 million sq. ft. (one of the right of first offer [ROFO] assets of the REIT) along with its debt and plans to issue units to equity shareholder of asset holding company and the REIT is also planning for an acquisition of an asset in Hyderabad, which is expected to be funded through debt. However, the debt protection metrics are expected to remain comfortable over the medium term. Any larger-than-expected debt-funded capital expenditures or acquisitions weakening the credit metrics will be a key monitorable.

The ratings continue to reflect Mindspace REIT's comfortable loan-to-value (LTV) ratio, characterised by low debt, strong debt protection metrics supported by a cap on incremental borrowings, and stable revenue profile of the assets, amidst benefits of healthy occupancy and geographic diversification. The strengths are partially offset by susceptibility to volatility in the real estate sector, causing fluctuations in rental rates and occupancy levels.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of Mindspace REIT with those of its asset SPVs, in-line with its criteria for rating entities in homogeneous groups. This is because Mindspace REIT has direct control over the asset SPVs and will support them in the event of any exigency. Additionally, as per Securities and Exchange Board of India's (SEBI's), Real Estate Investment Trust (REIT) Regulations, 2014, Mindspace REIT and its asset SPVs are mandated to distribute 90% of their net distributable cash flow. Also, the cap on borrowing by the REIT has been defined at a consolidated level (equivalent to 49% of the aggregate value of Mindspace REIT's assets).

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Comfortable LTV ratio, supporting the ability to refinance:** Consolidated gross debt was low at ~Rs 8,400 crore as on December 31, 2024, largely on account of debt funded capex. Consequently, Mindspace REIT has a comfortable LTV ratio of 26.9% (on gross debt basis) and ~22.6% (on net debt basis). The low LTV ratio shields investors from the risk of any decline in property prices and its consequent impact on refinancing. REIT has raised funds in the past for the refinancing of debt at the trust and SPV level and is expected to continue going forward as well.

- **Strong debt protection metrics:** Mindspace REIT is expected to have healthy debt protection metrics, including for all incremental financing in the underlying asset SPVs. This is because incremental debt, over and above the existing debt, to be raised over the next 3-5 years is expected to be around Rs 4,500 crore factoring its ongoing capex plans. In addition, REIT has plans to acquire Commerzone Raidurg with leasable area of 1.8 million sq. ft. (one of the ROFO assets of the REIT) along with its debt and plans to issue units to equity shareholder of asset holding company and the REIT is also planning for an acquisition in Hyderabad, which is expected to be funded through debt. The existing debt instruments stipulate debt-to-EBITDA (earnings before interest, tax, depreciation and amortisation) or debt-to-NOI (net operating income) thresholds of 5.0 times, which has been changed in the instrument raised in March 2023, June-2023 and September-2023 to 6.0 times. Though the financial covenant has been revised upwards, Crisil Ratings expects the ratio to remain within the erstwhile covenants in line with the management articulation of maintaining conservative capital structure. Consequently, the LTV is expected to remain below 30% on a sustained basis.

- **Stable revenue of asset SPVs:** Mindspace REIT's entire revenue comes from 10 commercial offices, IT parks and SEZs. Consolidated revenue from operations (excluding revenue from works contract) was Rs 1885 crore and Rs 2,351 crore for nine months of fiscal 2025 and fiscal 2024 respectively. Leasing activity has picked up with the REIT entering into agreements for new and vacant area to the tune of 11 lakh sq. ft. while renewing agreements for 16 lakh sq. ft in nine months ending fiscal 2025 at a re-leasing spread of 25.9% (on 25.0 lakh sq. ft). Superior asset and service quality, favourable location in prime areas of Hyderabad, Mumbai Region, Pune and Chennai, good demand and competitive rental rates should support occupancy going forward.

Weakness:

- **Susceptibility to volatility in the real estate sector:** Rental collection remains susceptible to economic downturns, which may constrain the tenant's business risk profile, and therefore, limit occupancy and rental rates. Top 10 tenants and technology sector concentration at 30% and 41.4% of gross contracted rentals, respectively, as on December 31, 2024, exposes the REIT to moderate concentration risk. Further, as on December 31, 2024, 10% of the operational portfolio is coming up for expiry in fiscal 2026 and 2027. While majority of the tenants are established corporates and may continue to occupy the property, any industry shock leading to vacancies may make it difficult to find alternate lessees within the stipulated time. This could adversely impact cash flow, and hence, will be a key rating sensitivity factor.

Liquidity: Superior

Liquidity remains strong, supported by healthy debt protection metrics, including for permitted additional financing. Further, a low LTV ratio enhances the REIT's financial flexibility. Consolidated debt is unlikely to cause LTV ratio to exceed 40%, thus protecting investors from any decline in property prices and the consequent impact on refinancing.

Outlook: Stable

Crisil Ratings believes Mindspace REIT will continue to benefit from the quality of its underlying assets over the medium term.

Rating Sensitivity Factors

Downward Factors:

- Decline in the value of the underlying assets or higher-than-expected incremental borrowings, resulting in Crisil Ratings sensitised LTV ratio of 40% or above
- Weakening of operating performance leading to lower-than-expected occupancy levels
- Significant delay in completion and leasing of under-construction assets or acquisition of lower quality assets affecting portfolio health

- Any impact on independence of REIT operations due to but not limited to change in sponsorship of the trust or ownership of the REIT manager

About the trust
Mindspace REIT is registered as an irrevocable trust under the Indian Trust Act, 1882, and as a REIT with SEBI's REIT Regulations, 2014, as amended. Mindspace REIT's portfolio assets are held through the following asset SPVs:

K Raheja IT Park (Hyderabad) Ltd (KRIT), Sundew Properties Ltd and Intime Properties Ltd (Intime) own and operate a SEZ/IT park, Mindspace, in Madhapur, Hyderabad. The property has been operational since 2005 and has a total completed area of approximately (approx.) 96 lakh sq. ft with committed occupancy 96.7% as on December 31, 2024, while an additional area of approx. 36 lakh sq. ft is expected to be developed over the medium term.

Avacado Properties and Trading (India) Pvt. Ltd (Avacado) owns and operates:
a) An IT park, Mindspace, in Malad, Mumbai region. The property has been operational since 2004, and has a total leasable area of approx. 8 lakh sq. ft with committed occupancy of 98.6% as on December 31, 2024
b) A commercial office, The Square, in Bandra Kurla Complex, Mumbai region, with a total leasable area of approx. 1 lakh sq. ft and committed occupancy of 100.0% as on December 31, 2024. The property was acquired by the group in August 2019 and is completely leased.

Mindspace Business Parks Pvt. Ltd (MBPPL) owns and operates:
a) An SEZ, Mindspace, in Airoli (East), Mumbai region. The property has been operational since 2007, and has a total completed leasable area of approx. 49 lakh sq. ft with committed occupancy of 78.4% as on December 31, 2024, while an additional area of approx. 23 lakh sq. ft is expected to be gradually developed over the medium-to-long term.
b) An IT Park, Commerzone, in Yerwada, Pune. The property has been operational since 2010 and has a total leasable area of approx. 17 lakh sq. ft with committed occupancy of 89.1% as on December 31, 2024.
c) An IT Park/commercial office, The Square, in Nagar Road, Pune. The property has been operational since 2015 and has a total leasable area of approx. 8 lakh sq. ft with committed occupancy of 100.0% as on December 31, 2024.
d) An SEZ, Mindspace, in Pocharam, Hyderabad. The property has been operational since 2012 and has a total completed leasable area of approx. 6 lakh sq. ft which is currently not occupied, while an additional area of approx. 4 lakh sq. ft. Borad has approved the initiation and associated matters in relation to the divestment of Mindspace Pocharam, Telangana.

Gigaplex Estate Pvt. Ltd (Gigaplex) owns and operates an SEZ/IT park, Mindspace, in Airoli (West) (Mumbai region). The property has been operational since 2013, and has a total completed leasable area of approx. 53 lakh sq. ft with committed occupancy of 87.3% as on December 31, 2024, while an additional area of approx. 11 lakh sq. ft is under construction and expected to be completed in phases over the next fiscal.

KRC Infrastructure and Projects Pvt. Ltd (KRC Infra):
a) Owns and operates an SEZ/IT park, Commerzone, in Kharadi, Pune. The property has completed leasable area of approx. 19 lakh sq. ft with committed occupancy of 100.0% as on March 31, 2024. Another approx. 10 lakh sq. ft of area is under development or proposed to be developed over the medium term.
b) The facility management arm, housed under this entity beginning October 1, 2020, provides services for each asset under the REIT. Services include housekeeping, management of equipment, facade cleaning, security expenses, repair and maintenance and maintenance of common areas, etc.

Horizonview Properties Pvt. Ltd (Horizonview) owns an IT park, Commerzone, in Porur, Chennai. The property was completed in June 2020. Trust has acquired 2.4 lakh sq. ft. of leasable area from Landowner in Sep-2023 which was funded through debt. The property has completed leasable area of approx. 11 lakh sq. ft. with committed occupancy of 100% as on December 31, 2024.

Key Financial Indicators (Consolidated; Crisil Ratings-adjusted)

Particulars	Unit	2024	2023
Revenue from operations	**Rs crore**	**2,429**	**2,282**
Profit after tax (PAT)	**Rs crore**	**561**	**309**
PAT margin	**%**	**23.1**	**13.5**
Adjusted gearing	**Times**	**0.47**	**0.35**
Interest coverage	**Times**	**3.91**	**4.65**

Any other information
Key financial covenants for NCDs tranche I and II of Rs 200 crore and Rs 75 crore, respectively

At the REIT level:
- Gross total debt / EBITDA or NOI < = 5.00x
- LTV (on net debt basis) <= 49%

Key financial covenants for NCDs tranche V, VI, VII of Rs 550 crore, Rs 500 crore and Rs 500 crore respectively

At the REIT level:
- Net total debt / NOI < = 6.00x
- LTV (on net debt basis) <= 49%

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Commercial Paper	NA	NA	7 to 365 Days	1200.00	Simple	Crisil A1+
INE0CCU07066	Non Convertible Debentures	28-Jul-22	7.95	27-Jul-27	450.00	Simple	Crisil AAA/Stable
INE0CCU07066	Non Convertible Debentures	28-Jul-22	7.95	27-Jul-27	50.00	Simple	Crisil AAA/Stable
INE0CCU07074	Non Convertible Debentures	15-Mar-23	8.02	13-Apr-26	550.00	Simple	Crisil AAA/Stable
INE0CCU07082	Non Convertible Debentures	02-Jun-23	7.75	30-Jun-26	500.00	Simple	Crisil AAA/Stable
INE0CCU07090	Non Convertible Debentures	11-Sep-23	8.03	10-Dec-26	500.00	Simple	Crisil AAA/Stable
INE0CCU07108	Non Convertible Debentures	21-Mar-24	7.93	20-Mar-27	340.00	Simple	Crisil AAA/Stable
INE0CCU07116	Non Convertible Debentures	13-May-24	7.96	11-May-29	500.00	Simple	Crisil AAA/Stable
INE0CCU07124	Non Convertible Debentures	25-Jun-24	Variable-Others	24-Jun-31	650.00	Simple	Crisil AAA/Stable
NA	Non Convertible Debentures#	NA	NA	NA	570.00	Simple	Crisil AAA/Stable

#Yet to be issued

Annexure - List of Entities Consolidated

Entity consolidated	Extent of consolidation	Rationale for consolidation
K Raheja IT Park (Hyderabad) Ltd	Full	89% subsidiary
Sundew Properties Ltd	Full	89% subsidiary
Intime Properties Ltd	Full	89% subsidiary
Avacado Properties and Trading (India) Pvt. Ltd	Full	100% subsidiary
Mindspace Business Parks Pvt. Ltd	Full	100% subsidiary
Gigaplex Estate Pvt. Ltd	Full	100% subsidiary
KRC Infrastructure and Projects Pvt. Ltd	Full	100% subsidiary
Horizonview Properties Pvt. Ltd	Full	100% subsidiary

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Corporate Credit Rating	LT	0.0	Crisil AAA/Stable	03-02-25	Crisil AAA/Stable	25-06-24	Crisil AAA/Stable	27-12-23	Crisil AAA/Stable	12-12-22	Crisil AAA/Stable	CCR AAA/Stable
			--		--	29-04-24	Crisil AAA/Stable	23-08-23	Crisil AAA/Stable	07-09-22	CCR AAA/Stable	--
			--		--	28-02-24	Crisil AAA/Stable	22-05-23	Crisil AAA/Stable	27-05-22	CCR AAA/Stable	--
			--		--		--	28-02-23	Crisil AAA/Stable	17-05-22	CCR AAA/Stable	--
					--		--	09-02-23	Crisil AAA/Stable		--	--
Commercial Paper	ST	1200.0	Crisil A1+	03-02-25	Crisil A1+	25-06-24	Crisil A1+	27-12-23	Crisil A1+	12-12-22	Crisil A1+	Crisil A1+
			--		--	29-04-24	Crisil A1+	23-08-23	Crisil A1+	07-09-22	Crisil A1+	--
			--		--	28-02-24	Crisil A1+	22-05-23	Crisil A1+	27-05-22	Crisil A1+	--
			--		--		--	28-02-23	Crisil A1+	17-05-22	Crisil A1+	--
			--		--		--	09-02-23	Crisil A1+		--	--
Non Convertible Debentures	LT	4110.0	Crisil AAA/Stable	03-02-25	Crisil AAA/Stable	25-06-24	Crisil AAA/Stable	27-12-23	Crisil AAA/Stable	12-12-22	Crisil AAA/Stable	Crisil AAA/Stable
			--		--	29-04-24	Crisil AAA/Stable	23-08-23	Crisil AAA/Stable	07-09-22	Crisil AAA/Stable	--
			--		--	28-02-24	Crisil AAA/Stable	22-05-23	Crisil AAA/Stable	27-05-22	Crisil AAA/Stable	--
			--		--		--	28-02-23	Crisil AAA/Stable	17-05-22	Crisil AAA/Stable	--
			--		--		--	09-02-23	Crisil AAA/Stable		--	--
Long Term Principal Protected Market Linked Debentures	LT		--		--	25-06-24	Withdrawn	27-12-23	Crisil PPMLD AAA/Stable	12-12-22	Crisil PPMLD AAA r /Stable	Crisil PPMLD AAA r /Stable
			--		--	29-04-24	Crisil PPMLD AAA/Stable	23-08-23	Crisil PPMLD AAA/Stable	07-09-22	Crisil PPMLD AAA r /Stable	--
			--		--	28-02-24	Crisil PPMLD AAA/Stable	22-05-23	Crisil PPMLD AAA/Stable	27-05-22	Crisil PPMLD AAA r /Stable	--
			--		--		--	28-02-23	Crisil PPMLD AAA/Stable	17-05-22	Crisil PPMLD AAA r /Stable	--
			--		--		--	09-02-23	Crisil PPMLD AAA/Stable		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
[Basics of Ratings (including default recognition, assessing information adequacy)]
[Criteria for REITs and InVITs]
[Criteria for Real estate developers, LRD and CMBS (including approach for financial ratios)]
[Criteria for consolidation]

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