May 25, 2021

Darshita Aashiyana Private Limited: [ICRA]A-(Stable)/[ICRA]A2+ assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Working Capital facilities 1	170.00	170.00	[ICRA]A(CE) (Stable); outstanding
Fund Based Working Capital facilities 2	0.00	520.00	[ICRA]A- (Stable) / [ICRA]A2+; assigned
Non-fund based Working Capital facilities	880.00	880.00	[ICRA]A(CE)(Stable) / [ICRA]A1(CE); outstanding
Total	**1050.00**	**1570.00**	

Rating Without Explicit Credit Enhancement	[ICRA]A-/[ICRA]A2+

**Instrument details are provided in Annexure-1*

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]A-(Stable)/[ICRA]A2+ ratings

The above rating factors in the comfort drawn from the strong promoter group profile having extensive experience across sectors. Key managerial personnel of the Group are also members on the board of directors of DAPL. Being a part of the Group, DAPL enjoys significant financial flexibility by way of support extended from the Group and its promoters. In the past, the Group/promoters have extended support to DAPL in the form of unsecured loans, margin and collateral security required for availing credit limits. The rating further factors in the positioning of DAPL as one of the leading retailer of mobile phones on e-commerce platforms and its established relationship with popular brands such as Xiaomi, Oneplus and Oppo. Over the years, DAPL has continued to witness healthy growth in its top-line supported by the growing demand in online retail market.

The rating is, however, constrained by DAPL's modest financial profile, characterised by modest profitability and leveraged capital structure. As on March 31, 2021, the company's leverage as measured by the 'Total outside liabilities/Tangible net worth' (TOL/TNW) ratio was high at 11.1 times. Utilisation of bank credit limit remain volatile, reaching high levels during peak seasons corresponding to times of festive seasons, sales events or new launches. Nonetheless, the short inventory holding period and adequate credit period extended from the brands, support the overall debt servicing ability of the company. The rating is further restrained by the intense competition faced by DAPL from other sellers on the online marketplace, and also from offline retailers which still have a dominant share of the overall retail market. The online retail industry is also characterized by high regulatory scrutiny and the evolving regulatory and competitive landscape will be a key rating monitorable.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that DAPL will continue to benefit from the managerial expertise and significant financial flexibility enjoyed, being a part of the Salarpuria-Sattva Group.

For the [ICRA]A(CE)(Stable)/[ICRA]A1(CE) rating

The above rating is based on the strength of the corporate guarantee provided by Salarpuria Properties Private Limited[1] (SPPL; rated [ICRA]A with Stable outlook) and Sattva Developers Private Limited[2] (SDPL; rated [ICRA]A with Stable outlook), for the rated facility. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, SPPL and SDPL.

Adequacy of credit enhancement

The rating of Darshita Aashiyana Private Limited (DAPL) takes into account the corporate guarantee provided by SPPL and SDPL to the borrowing programme of DAPL. The guarantee is irrevocable, unconditional and covers the entire amount of the rated instrument. Given these attributes, the guarantee provided by SPPL and SPDL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]A(CE) / [ICRA]A1(CE)** against the rating of [ICRA]A- / [ICRA]A2+ without explicit credit enhancement. In case the rating of the guarantor was to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well. The rating of this instrument may also undergo a change in a scenario whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

» *Non-disposal undertaking to be obtained from Promoter with regards to 51% of equity shares held in the Borrower directly/indirectly in a form and manner satisfactory to Lender.*

» *Minimum cover of 0.5x/0.25x times (different across lenders) by way of exclusive charge over immovable asset to be maintained during the tenor of the facility.*

Key rating drivers and their description

Credit strengths

Corporate guarantee provided by SPPL and SDPL to rated bank facilities of DAPL - The rating addresses the servicing of the loan to happen as per the terms of the underlying loan and the guarantee arrangements. The rating assumes that the guarantee will be duly invoked in case of a default in payment by the borrower.

Strong promoter Group; leading market position in online retailing of mobile phones – DAPL is directly held by the promoters of Salarpuria-Sattva Group, having extensive experience across sectors like real estate, trading, hospitality and education. Key managerial personnel of the Group are also members on the board of directors of DAPL. The Salarpuria-Sattva Group is one of the leading players in the Indian real-estate market with strong brand recognition and established track record of more than 34 years. Being a part of the Group, DAPL enjoys significant financial flexibility by way of support extended from the Group and its promoters. In the past, the Group/promoters have extended support to DAPL in the form of unsecured loans, margin and collateral security required for availing credit limits.

DAPL is a leading retailer of mobile phones on e-commerce platforms. It has established relationship with brands such as Xiaomi, Oneplus and Oppo. It reported a turnover of Rs. 8929.8 crore in FY2021, which was a 30% growth over the turnover in FY2020.

Credit challenges

Modest financial risk profile - The financial profile is characterised by modest profitability and leveraged capital structure. Given the trading like nature of business DAPL is involved in, the company experiences modest profitability levels. As on March 31, 2021, the company's leverage as measured by the 'Total outside liabilities/Tangible net worth' (TOL/TNW) ratio was high at 11.1 times. Utilisation of bank credit limit remain volatile, reaching high levels during peak seasons corresponding to times of festive seasons, sales events or new launches. Nonetheless, the short inventory holding period and adequate credit period

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[1] Link for latest rationale

[2] Link for latest rationale

extended from the brands, support the overall debt servicing ability of the company. The interest coverage ratio for FY2021 is estimated at 2.4 times.

Stiff competition; Business profile vulnerable to any regulatory changes – The e-commerce space is highly competitive in nature with the presence of a large number of sellers. The industry also faces stiff competition from the offline retail sector, which has a majority share of the overall retail market. Nevertheless, presence of strong managerial expertise and good relations with popular brands mitigates the risk to some extent. In the past couple of years, the e-commerce industry has witnessed the introduction of several norms related to the operations of the entities involved. The impact of any future regulations on the business profile of DAPL will be a key rating monitorable.

Liquidity position

For the [ICRA]A-(Stable)/[ICRA]A2+ ratings: Adequate

DAPL's liquidity is expected to remain **Adequate**, supported by comfortable credit period extended by brands and availability of sufficient fund-based limits to meet any short-term cashflow mismatches. Further, being a part of the Salarpuria-Sattva Group, enhances DAPL debt raising capabilities. Absence of any term liabilities or committed capex requirements further supports the liquidity position of the company.

For the [ICRA]A(CE)(Stable)/[ICRA]A1(CE) rating: Adequate

The liquidity position of the guarantor is **Adequate**. The Group witnessed healthy rental collection efficiency from its existing tenants, despite the impact of pandemic. The initial months of FY2021 had witnessed some deferment in commencement of rental commitments, however the same have now started and stabilised. Rental receipt is expected to reach over Rs. 760 crore in FY2021 and is expected to steadily improve in the coming years. Coupled with adequate inflows from the residential and contract segment, the cash from operations are expected to be sufficient to meet all the operational, and debt servicing requirements of the company. Presence of undrawn LRD debt and available LRD top-up potential in the existing and upcoming (as and when completed) rental projects provides further liquidity support.

Rating sensitivities

For the [ICRA]A-(Stable)/[ICRA]A2+ ratings

Positive factors: Improvement in the standalone credit profile of DAPL, stemming from improved working capital position and/or improved profitability, can lead to an upgrade.

Negative factors: Any deterioration in the standalone credit profile of DAPL or linkages with the support provider could lead to pressure on the ratings. Further, any weakening of the credit profile of support provider could lead to a downgrade.

For the [ICRA]A(CE)(Stable)/[ICRA]A1(CE) rating

Positive factors: The ratings assigned would remain sensitive to any movement in the rating or outlook of the guarantor, SPPL and SDPL.

Negative factors: The ratings assigned would remain sensitive to any movement in the rating or outlook of the guarantor, SPPL and SDPL. Further, any deterioration in the standalone credit profile of DAPL or linkages with the guarantor could also lead to pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology](#) [Approach for rating debt instruments backed by third-party explicit support](#) [Impact of Parent or Group Support on an Issuer's Credit Rating](#)
Parent/Group Support	**For the [ICRA]A-(Stable)/[ICRA]A2+ ratings** The ratings assigned is based on implicit support drawn from Salarpuria-Sattva group, given the high likelihood of the Group extending financial support to DAPL because of close business linkages between them, reputation sensitivity and strategic importance attached with the Group's operations. **For the [ICRA]A(CE)(Stable)/[ICRA]A1(CE) rating** The assigned rating is based on corporate guarantee extended by Salarpuria Properties Private Limited and Sattva Developers Private Limited.
Consolidation/Standalone	The ratings are based on Standalone Financials

About the company

DAPL, which was incorporated on May 13, 2016, is a special purpose vehicle of the Salarpuria-Sattva Group. The company operates as a seller on online marketplaces and mainly sells mobile phones under the electronic goods category. The operations commenced towards the end of FY2017.

About the guarantor, SPPL and SDPL

Salarpuria Properties Private Limited (SPPL) and Sattva Developers Private Limited (SDPL) are the flagship company of the Salarpuria Sattva Group which was incorporated in 1986 by Mr. G D Salarpuria. The group is currently being managed by Mr. Bijay Kumar Agarwal who is the Managing Director of the group. The group is one of the leading real estate developers in the Bangalore real estate market and has completed more than 55.4 million square feet of development in the past 34 years of its existence. The group is currently executing residential projects with saleable area of around 4.1 msf, mainly located across Bangalore and Hyderabad. The group currently has a sizeable commercial real estate portfolio, generating annualised committed rental inflows of Rs. 857 crore as on November 30, 2020. The commercial properties of the group which are located in prime locations in Bangalore and Hyderabad have witnessed high occupancy levels and house many reputed tenants such as like JPMC, Microsoft, Novartis, Google, State Street, among others.

Key financial indicators

DAPL Standalone	FY2020 audited	FY2021 provisional
Operating Income (Rs. crore)	6885.0	8929.8
PAT (Rs. crore)	26.7	32.0
OPBDIT/OI (%)	0.82%	0.63%
PAT/OI (%)	0.39%	0.36%
Total Outside Liabilities/Tangible Net Worth (times)	12.1	11.1
Total Debt/OPBDIT (times)	5.2	4.7
Interest Coverage (times)	1.8	2.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Note: Amount in Rs. crore; Source: Company, ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019	
					25-May-2021	25-Nov-2020	31-Dec-2019	17-Apr-2019	04-Sep-2018	11-May-2018
1	Fund Based-Working Capital facilities 1	Long Term	170.00	NA	**[ICRA]A (CE) (Stable)**	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Stable)	[ICRA]A (SO) (Positive)	[ICRA]A (SO) (Positive)	[ICRA]A (SO) (Stable)
2	Fund Based-Working Capital facilities 2	Long Term / Short term	520.00	NA	**[ICRA]A- (Stable) / [ICRA]A2+**	-	-	-	-	-
3	Non-fund based-Working Capital facilities	Long Term / Short term	880.00	NA	**[ICRA]A (CE) (Stable) / [ICRA]A1 (CE)**	[ICRA]A (CE) (Stable) / [ICRA]A1 (CE)	[ICRA]A (CE) (Stable) / [ICRA]A1 (CE)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund Based Working Capital	Simple
Long-term/ Short -term – Fund Based Working Capital	Simple
Long-term/ Short -term – Non-Fund Based facility	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 analyzing 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, is available on ICRA's 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	Fund Based- Working Capital facilities 1	NA	NA	NA	170.00	[ICRA]A(CE) (Stable)
NA	Fund Based- Working Capital facilities 2	NA	NA	NA	520.00	[ICRA]A- (Stable) / [ICRA]A2+
NA	Non-fund based- Working Capital facilities	NA	NA	NA	880.00	[ICRA]A(CE) (Stable) / [ICRA]A1(CE)

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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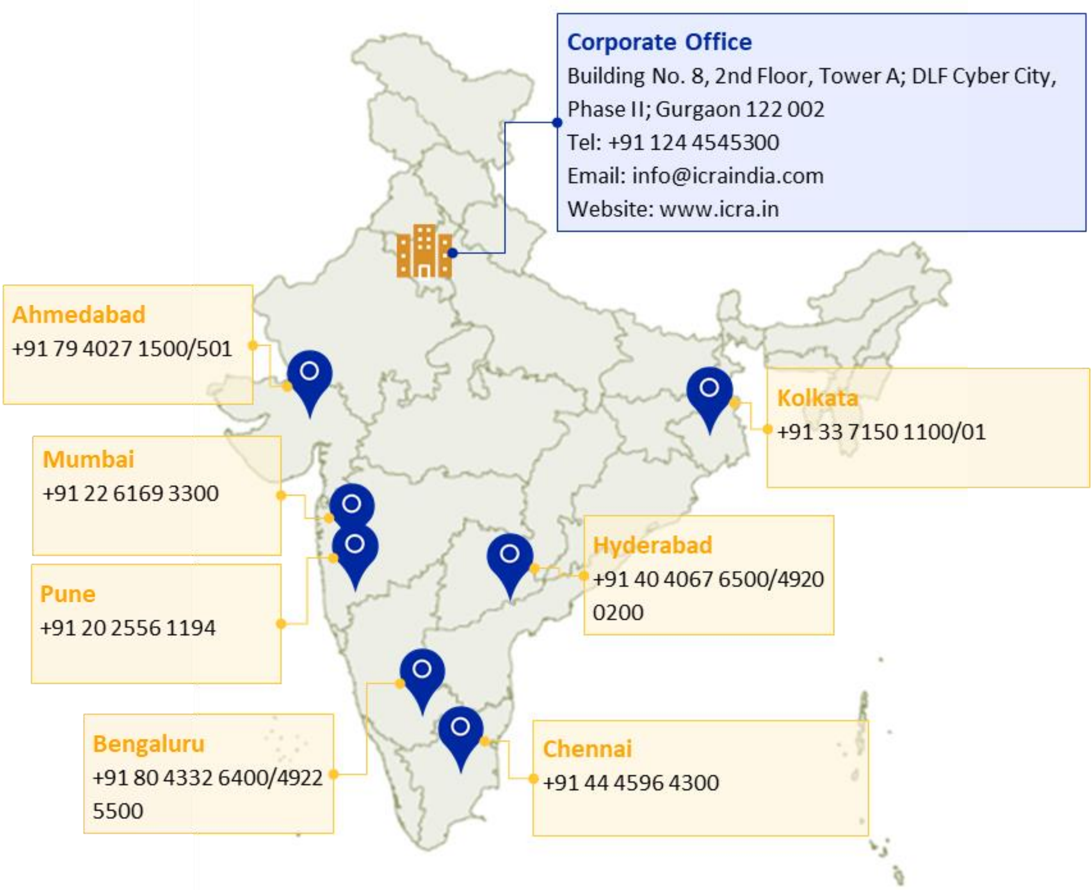

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