

December 13, 2022

Darshita Aashiyana Private Limited: [ICRA]A(CE) (Stable)/ [ICRA]A1(CE) rating withdrawn and fresh rating of [ICRA]A (Stable)/ [ICRA]A2+ assigned; Upgraded to [ICRA]A (Stable) from [ICRA]A- (Stable); short-term ratings reaffirmed at [ICRA]A2+; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Working capital facilities 1	220.0	980.0	[ICRA]A (Stable) assigned; earlier rating of [ICRA]A (CE) (Stable) withdrawn.
Working capital facilities 2	520.0	520.0	[ICRA]A (Stable)/[ICRA]A2+; long term rating upgraded from [ICRA]A-(Stable) and short-term rating reaffirmed
Non-fund based facilities	1180.0	1180.0	[ICRA]A (Stable)/ [ICRA]A2+ ratings assigned; earlier rating of [ICRA]A (CE) (Stable)/ [ICRA]A1(CE) withdrawn.
Total	1,920.0	2,680.0	

*Instrument details are provided in Annexure-I

Rationale

ICRA has withdrawn its rating of [ICRA]A (CE) (Stable)/[ICRA]A1 (CE) for the bank facilities of Darshita Aashiyana Private Limited (DAPL) and has simultaneously assigned a fresh rating of [ICRA]A (Stable)/[ICRA]A2+ for these facilities. The rating action follows the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that the benefit of a corporate guarantee that does not meet the evaluation mechanism/ criteria defined by the RBI is not to be considered while assigning credit enhanced (CE) ratings¹. Among other considerations, the [ICRA]A (CE)/[ICRA]A1 (CE) rating drew comfort from the presence of a corporate guarantee extended by DAPL's parent to the lenders of the rated bank facilities. For assigning the ratings, ICRA had assessed the attributes of the guarantee issued by Sattva Developers Private Limited and Salarpuria Properties Private Limited in favour of the rated facility. While the guarantee was legally enforceable, irrevocable, unconditional, covered the entire amount and tenor of the rated facility, and met all the attributes of a strong guarantee, it did not have a well-defined invocation and payment mechanism. Considering the above, ICRA had assigned a rating of [ICRA]A (CE)/[ICRA]A1 (CE) to the said facility against the unsupported rating of [ICRA]A-/ [ICRA]A2+ [and in relation to the guarantor's rating of [ICRA]A (Stable)²].

To align itself with the aforesaid regulatory guidance, ICRA would no longer be considering in its credit assessments the benefit of a guarantee that lacks an invocation and payment mechanism, though such a support represents a relatively stronger expression of commitment on the part of the support provider for the supported facilities in comparison with support that is only implicit in nature. Accordingly, ICRA has assigned the rating of [ICRA]A (Stable)/ [ICRA]A2+ to the above bank facilities of DAPL, while withdrawing the [ICRA]A (CE)/[ICRA]A1 (CE) rating.

ICRA notes that DAPL and its parent Sattva Developers Private Limited (SDPL; rated [ICRA]A+ with Stable outlook) and Salarpuria Properties Private Limited (SPPL; rated [ICRA]A+ with Stable outlook), have close business linkages and DAPL is of strategic importance to its parent. Therefore, ICRA expects the Group to be willing to extend timely financial support to DAPL, as and when needed. There also exists a consistent track record of SDPL having extended timely financial support to DAPL in

¹ The RBI has permitted the existing (CE) ratings to continue until the residual tenor of the loan. However, for the (CE) ratings outstanding on working capital facilities that are renewed periodically (like cash credit facilities that fall due for renewal at an annual frequency), the residual tenor of these facilities is to be considered as the time remaining until the next due date of renewal.

² Rating of guarantor as per the PR dated February 04, 2022, for DAPL

the past. The ratings factor in the above strengths, arising from a parent with a relatively stronger credit profile, even as the benefit of the guarantee extended by the parent has been ignored.

The upgrade in DAPL's long-term rating notes the significant increase in scale of operations to Rs. 16,929 crore in FY2022 from Rs. 8,965 crore in FY2021, backed by healthy demand for mobile phones on e-commerce platforms due to increasing digital penetration and improvement in operating margins to 1.26% in FY2022 from 1.01% in FY2021. The growth is likely to continue in the medium term with expected revenues of around Rs. 18,500-19,000 crore and operating margins of 1.1%- 1.2% in FY2023. The ratings also consider the recent tie-ups with a couple of new brands and established relationships with the existing brands such as Xiaomi, Oneplus and Oppo resulting in improvement in revenue diversification in H1 FY2023. DAPL also recently enhanced its working capital limits, which will support its medium-term growth prospects. The company also enjoys and high financial flexibility by way of support extended from the Group and its promoters in the form of unsecured loans, margin and collateral security required for availing credit limits.

The ratings are, however, constrained by DAPL's modest financial risk profile, characterised by low profitability and high working capital-intensive nature of the trading business. The utilisation of working capital lines remains volatile, peaking during the festive season, sales events or any new launches. Nonetheless, the low receivable days, moderate inventory holding period and adequate credit period extended from the brands, support its overall working capital cycle. The ratings are also constrained by the intense competition faced by DAPL from other sellers on the online marketplace, and from offline retailers, alongside the low customer loyalty on the online platforms for e-commerce business. The online retail industry remains exposed to regulatory interventions which can alter the competitive landscape significantly and remains a key rating monitorable.

The Stable outlook on the rating reflects ICRA's opinion that DAPL will continue to benefit from its established relationships with multiple brands along with improvement in brand diversification with continued increasing scale of operations and significant financial flexibility enjoyed, being a part of the Sattva Group.

Key rating drivers and their description

Credit strengths

Continued increase in scale of operations and brand diversification – The company recorded a significant increase in scale of operations to Rs. 16,929 crore in FY2022 from Rs. 8,965 crore in FY2021, backed by healthy demand for mobile phones due to increasing digital penetration and improvement in operating margins to 1.26% in FY2022 from 1.01% in FY2021. The growth is likely to continue in the medium term with expected revenues of around Rs. 18,500-19,000 crore and operating margins of 1.1%- 1.2% in FY2023. The ratings also consider the recent tie-ups with a couple of new brands and established relationships with the existing brands such as Xiaomi, Oneplus and Oppo resulting in improvement in revenue diversification in H1 FY2023. DAPL also recently enhanced its working capital limits, which will support the growth prospects in medium term.

Strong promoter profile – DAPL is fully held by the promoters of Sattva Group, having extensive experience across sectors like real estate, trading, hospitality and education and established track record of more than 36 years. As a part of the Group, the company enjoys strong 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.

Credit challenges

Modest margins and high working capital requirements – DAPL has modest financial risk profile, characterised by low margins and high working capital-intensive nature of the trading business. The utilisation of working capital lines remains volatile, peaking during the festive season, sales events or any new launches. Nonetheless, the low receivable days, moderate inventory holding period and adequate credit period extended from the brands, support the company's overall working capital cycle.

Stiff competition and regulatory risks in e-commerce business – The company faces intense competition from other sellers on the online marketplace, and from offline retailers, alongside the low customer loyalty on the online platforms for e-

commerce business. The online retail industry remains exposed to regulatory interventions, which can alter the competitive landscape significantly and remains a key rating monitorable.

Liquidity position: Adequate

DAPL's liquidity position is adequate, supported by a comfortable credit period extended by brands and availability of sufficient working capital limits to meet its growth prospects. Further, it enjoys enhanced debt raising capabilities being a part of the Sattva Group. 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. Absence of any term liabilities or committed capex requirements further supports the company's liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the entity demonstrates a healthy improvement in profitability and liquidity positions, along with working capital cycle resulting in improved debt protection metrics on a sustained basis. Specific credit metrics which will lead to a rating upgrade include interest cover of 5.0 times on a sustained basis.

Negative factors – Pressure on the ratings will arise if there is a significant decline in revenues or elongation of working capital cycle impacting its liquidity position and debt coverage metrics on a sustained basis. Further, weakening of linkages with the parent company could lead to pressure on the ratings. Additionally, any regulatory change which would adversely affect the business profile or large capital withdrawal for investments in Group companies, that significantly impacts the liquidity or leverage position will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach – Implicit Parent or Group Support Policy on Withdrawal of Credit Ratings
Parent/Group support	ICRA expects the Sattva-Salarpuria Group to be willing to extend financial support to DAPL, should there be a need, given its strategic importance to the Group for meeting its diversification objectives. ICRA also expects the Group to be willing to extend financial support to DAPL out of its need to protect its reputation from the consequences of a Group entity's distress. There also exists a consistent track record of the Group having extended timely financial support to DAPL in the past, whenever a need has arisen.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of DAPL.

About the company

DAPL, which was incorporated on May 13, 2016, is a special purpose vehicle of the Sattva Group. The company is an online retailer on the Amazon Marketplace and serves as a seller for various mobile brands like Realme, Moto, Xiaomi, OnePlus, Oppo, etc, through Amazon Marketplace. The operations commenced towards the end of FY2017. The products are directly sourced from the brands/distributors by DAPL and thereafter listed and sold on the online platform provided by Amazon Seller Services Pvt Ltd (ASSPL). Amazon facilitates in providing warehousing, logistics, order fulfilment, call centre, payment collection, etc, services.

Key financial indicators

Particulars	FY2021	FY2022
	Audited	Provisional
Operating income	8,965.1	16,929.5
PAT	59.8	121.9
OPBDIT/OI	1.01%	1.26%
PAT/OI	0.67%	0.72%
Total outside liabilities/Tangible net worth (times)	8.2	12.1
Total debt/OPBDIT (times)	2.2	5.2
Interest coverage (times)	3.8	3.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Source: Company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020	
					Dec 13, 2022	Feb 04, 2022	May 25, 2021	Nov 25, 2020	Dec 31, 2019	Apr 17, 2019
1	Working capital facilities 1	Long-term	980.0	2519.0	[ICRA]A (Stable) assigned; earlier rating of [ICRA]A (CE) (Stable) withdrawn	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Stable)	[ICRA]A (SO) (Positive)
2	Working capital facilities 2	Long-term/Short-term	520.0		[ICRA]A (Stable)/[ICRA]A2+; long term rating upgraded from [ICRA]A-(Stable) and short-term rating reaffirmed	[ICRA]A-(Stable) / [ICRA]A2 +	[ICRA]A-(Stable) / [ICRA]A2+	-	-	-
3	Non-fund based Facilities	Long-term/Short-term	1180.0		[ICRA]A (Stable)/[ICRA]A2+ ratings assigned; earlier rating of [ICRA]A (CE) (Stable)/ [ICRA]A1(CE) withdrawn	[ICRA]A (CE) (Stable) / [ICRA]A1 (CE)	[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 instruments

Instrument	Complexity Indicator
Long-term – Working capital facilities	Simple
Long-term/Short-term – Working capital facilities	Simple
Long-term/short-term – Non-fund based 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	Working capital facilities 1	NA	NA	NA	980.0	[ICRA]A (Stable) assigned; earlier rating of [ICRA]A (CE) (Stable) withdrawn.
NA	Working capital facilities 2	NA	NA	NA	520.0	[ICRA]A (Stable)/[ICRA]A2+; long term rating upgraded from [ICRA]A-(Stable) and short-term rating reaffirmed
NA	Non-fund based facilities	NA	NA	NA	1180.0	[ICRA]A (Stable)/ [ICRA]A2+ ratings assigned; earlier rating of [ICRA]A (CE) (Stable)/ [ICRA]A1(CE) withdrawn.

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

ANALYST CONTACTS

Rajeshwar Burla

+91 40 40676527

rajeshwar.burla@icraindia.com

Abhishek Lahoti

+91 40 4067 6534

abhishek.lahoti@icraindia.com

Anupama Reddy

+91 40 4067 6516

anupama.reddy@icraindia.com

Sarthak Bhauwala

+91 80 4332 6404

sarthak.bhauwala@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

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

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.