December 17, 2024

Sattva Developers Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	101.00	70.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Unallocated	-	31.00	[ICRA]A+ (Stable); reaffirmed
Total	**101.00**	**101.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Salarpuria-Sattva Group ('the Group') factors in the healthy occupancy levels of the operational commercial office segment, healthy sales and collections from the ongoing residential projects and resultant comfortable debt coverage metrics. The committed occupancy in the commercial office segment of 17.5 million square feet (msf) stood healthy at 93% as of March 2024 (compared to 93% as of March 2023 for 15.4 msf of leasable area) with annualized committed rental inflows of Rs. 1600-1700 crore for FY2025. The healthy occupancy levels of the operational office portfolio is expected to sustain, backed by the favourable location of its asset portfolio along with strong tenant profile. Additionally, the Group has received occupancy certificate (OC) for ~1.0 msf during H1FY2025 and is expected to commence rentals for another, ~3.0 msf during the next 9-12 months (out of ~10.0 msf under-construction office portfolio as of March 2024) leading to steady increase in rental income going forward with leasing of incremental area. The rating notes in the healthy performance of the residential segment in FY2024, which is likely to continue in FY2025, supported by good sales velocity, healthy launch pipeline and end-user demand. The Group's pre-sales in residential segment increased to Rs. 3326 crore (FY2023: Rs. 1171 crore) and collections to Rs. 1635 crore (FY2023: Rs. 1,044 crore) in FY2024. Further, the cash flow adequacy ratio (committed receivables/ (pending cost + debt outstanding)) remained healthy at ~98% as of March 2024. The overall debt coverage metrics are expected to remain comfortable in the medium term, driven by healthy collections and low debt in the residential segment; However, the leverage levels as measured by adjusted[1] total debt/rentals is projected to remain moderate in the range of 6.5-7.0 times in FY2025 (PY: 7.3 times).

The rating draws comfort from the established position of the Group in the real estate market with track record of around four decades with over ~75.9 msf of completed saleable area in the residential segment and leasable area in commercial office segment. Furthermore, comfort is also derived from continued strong financial flexibility of the Group, aided by strong rental income portfolio, healthy collections from the residential segment and availability of undrawn, sanctioned credit limits.

The rating, however, is constrained by the Group's exposure to execution risk with large expansion plans, and market risk arising from the ongoing and planned capital expenditure in the commercial office segment in the near to medium term. The company plans to launch new residential projects with a saleable area of around 6.0-7.5 msf each in FY2025 and FY2026 exposing it to execution and market risks. Timely tie-up of leases at adequate rentals for the under-construction office portfolio resulting in timely conversion of construction finance to LRD loans will remain the key monitorable. Nevertheless, the Group's demonstrated track record of development and leasing of commercial real estate assets, healthy sales and collections from the residential portfolio provides comfort. Further, the rating notes the dependence of the company's residential segment on the Bengaluru and Hyderabad market which exposes it to any region-specific downturn in demand. Additionally, in the commercial office segment, the top three completed projects (located in Hyderabad), contribute to around ~70% of annualised

[1] *Adjusted total debt includes consolidated debt of Salarpuria Sattva group across all entities including guaranteed debt*

rentals. Further, the commencement of rentals for ~3.0 msf during the next 9-12 months is likely to reduce the dependency from the top three projects to an extent. Also, the Group remains exposed to the inherent cyclicality in the real estate industry and vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels.

The Group's ongoing Real Estate Investment Trust (REIT) plan will remain a key monitorable. Nevertheless, the healthy operating performance of the residential and commercial segments is expected to support the Group's plan.

The Stable outlook reflects ICRA's opinion that the Group will maintain healthy occupancy for the commercial office segment, healthy sales and collections in the real estate segment, resulting in comfortable debt coverage metrics and adequate liquidity position.

Key rating drivers and their description

Credit strengths

Healthy occupancy in operational assets and strong tenant profile – The committed occupancy in the operational commercial office segment of 17.5 msf stood healthy at 93% as of March 2024 (compared to 93% as of March 2023 for 15.4 msf of leasable area) with annualised committed rental inflows of Rs. 1,600-1,700 crore for FY2025. The healthy occupancy levels of the operational office portfolio is expected to sustain backed by the favourable location of its asset portfolio along with strong tenant profile. Additionally, the Group has received occupancy certificate (OC) for ~1.0 msf of commercial office space during H1FY2025 and is expected to commence rentals for further, ~3.0 msf during the next 9-12 months (out of ~10.0 msf under-construction office portfolio as of March 2024) leading to steady increase in rental income going forward with leasing of incremental area.. The substantial investments in fit outs incurred by tenants and long-term lease tenures reduce the risk of vacancy to an extent. The tenant profile comprises reputed multi-national companies such as Google, JP Morgan Chase, Novartis, Goldman Sachs etc. among others. While the overall debt coverage metrics are expected to remain comfortable in the medium term, the leverage levels as measured by adjusted total debt/rentals is projected to remain moderate in the range of 6.5-7.0 times in FY2025 (PY: 7.3 times).

Healthy performance in the residential segment – The residential segment witnessed healthy performance in FY2024, which is expected to continue in FY2025 supported by good sales velocity, healthy launch pipeline and end-user demand. The Group's pre-sales in the residential segment increased to Rs. 3,326 crore (FY2023: Rs. 1171 crore) and collections to Rs. 1,635 crore (FY2023: Rs. 1,044 crore) in FY2024. Further, the cash flow adequacy ratio (committed receivables/ (pending cost + debt outstanding)) remained healthy at ~98% as of March 2024. Also, low debt levels in the segment resulting in low leverage ratios, provides comfort.

Established track record and brand recognition of the Group in real estate industry; strong financial flexibility – The Salarpuria-Sattva Group has an established position in the real estate market with a track record of around four decades and has executed over ~75.9 msf of completed saleable area in the residential segment and leasable area in the commercial office segment. Further, comfort is derived from the Group's continued strong financial flexibility, aided by strong rental income portfolio, healthy collections from the residential segment and availability of undrawn, sanctioned credit limits. Further, the Group has good brand equity, which supports the saleability of its residential projects to an extent.

Credit challenges

Exposure to execution and market risks – The Group is exposed to execution risk with large expansion plans, and market risk arising from the ongoing and planned capital expenditure in the commercial office segment in the near to medium term. The company plans to launch new residential projects with a saleable area of around 6.0-7.5 msf each in FY2025 and FY2026 exposing it to execution and market risks. Timely tie-up of leases at adequate rentals for the under-construction office portfolio resulting in timely conversion of construction finance to LRD loans will remain the key monitorable. However, ICRA takes comfort from Group's track record of development and leasing of commercial real estate assets as well as healthy sales and collections from the residential portfolio.

Geographical concentration risk – The company's residential segment is dependent on the Bengaluru and Hyderabad market which exposes it to any region-specific downturn in demand. Further, the upcoming residential projects in the near term are expected to be launched in these two cities only. Additionally, in the commercial office segment, the top three completed projects (located in Hyderabad), contribute to around ~70% of annualised rentals. Further, the commencement of rentals for ~3.0 msf during the next 9-12 months is likely to reduce the dependency from the top three projects to an extent.

Vulnerable to cyclicality and changes in interest rates – The Group remains exposed to the inherent cyclicality in the real estate industry, such as declining property prices, a slowdown in economy and reduction in housing demand. Further, the commercial leasing segments are exposed to risks arising from the cyclicality in the sector and vulnerability to external factors. Nonetheless, ICRA takes comfort from the high occupancy in the Group's commercial asset portfolio and track record of the company in the residential real estate segment. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels.

Liquidity position: Adequate

The company has an adequate liquidity with cash and cash equivalents of Rs 310-325 crore and unutilised bank lines of around Rs 2,600 crore as on August 31, 2024. The rental receipts in the commercial office segment and collections in the residential segment are likely to be around Rs. 1,600-1,700 crore and Rs. 1,750-1,850 crore respectively, in FY2025, which are expected to be sufficient to meet all the operational and debt servicing requirements of the Salarpuria-Sattva Group.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the Group is able to sustain healthy sales and collections from the residential segment along with geographical diversification and increase in rentals from the leasing segment along with adequate leasing on the ongoing commercial projects resulting in significant improvement in debt protection metrics and liquidity position on a sustained basis. Specific credit metrics that could lead to upgrade of rating include adjusted total debt to annualised rental income below 5.5 times on a sustained basis.

Negative factors – Negative pressure on the rating could arise in case there is significant decline in collections in residential segment and/or any material decline in occupancy levels in completed office portfolio and/or delay in leasing tie-ups in the ongoing commercial projects or significant increase in indebtedness impacting the leverage and coverage metrics of the Group on a sustained basis. Further, significant outflows towards land investments/support to other related entities adversely impacting the liquidity position will be a credit negative. Specific credit metrics that could lead to a downgrade of rating include adjusted total debt to annualized rental income increasing above 7.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has taken consolidated view of 67 entities of Salarpuria-Sattva Group, which are primarily involved in the real estate segment and have projects at various stages of completion. The above entities have been consolidated based on the strong operational and financial linkages between the group entities, their common management group and cash flow fungibility, collectively referred as Salarpuria-Sattva Group. In addition to the above, ICRA has also factored in financial support extended to SPPL Hotels Private Limited, Dawntech Electronics Pvt Ltd and Simpliwork Offices Pvt Ltd, based on the corporate guarantee extended by Salarpuria-Sattva Group towards these entities. ICRA has also factored in financial support extended to Darshita Aashiyana Private Limited (DAPL) given

	that the Group is willing to extend financial support to DAPL out of its need to protect its reputation from the consequences of a Group's entity distress. The list of entities considered for consolidated analysis are enlisted in annexure II.

About the company

Salarpuria-Sattva Group was founded by the Late Mr. G D Salarpuria in 1986. At present, the Group is managed by Mr. Bijay Kumar Agarwal, Managing Director of the Group. It is one of the leading real estate developers in the Bangalore real estate market with over ~75.9 msf of completed saleable area in the residential segment and leasable area in the commercial office segment. The Group is currently executing residential projects with saleable area of around ~7-8.0 msf mainly located across Bangalore and Hyderabad. The Group's commercial properties are located in prime locations in Bangalore and Hyderabad have witnessed healthy occupancy levels and reputed tenant profile.

Key financial indicators

Consolidated *	FY2022	FY2023
Operating income	2,130.3	2,621.9
PAT	613.3	1,331.4
OPBDIT/OI	52.4%	62.5%
PAT/OI	28.8%	50.8%
Total outside liabilities/Tangible net worth (times)	1.4	1.3
Total debt/OPBDIT (times)	6.8	4.7
Interest coverage (times)	1.9	2.7

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore *consolidated numbers of 67 group entities of Salarpuria Sattva Group*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

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	Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long Term	70.00	17-Dec-2024	[ICRA]A+ (Stable)	22-Sep-2023	[ICRA]A+ (Stable)	28-Jun-2022	[ICRA]A+ (Stable)	15-Apr-2021	[ICRA]A (Stable)
Unallocated	Long Term	31.00	17-Dec-2024	[ICRA]A+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based – Term Loan	Simple
Long Term – Unallocated	Not Applicable

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 Loan	Sept 2022	NA	Sept 2035	70.00	[ICRA]A+ (Stable)
NA	Unallocated	NA	NA	NA	31.00	[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

Company Name	Ownership	Consolidation Approach
Salarpuria Properties Private Limited	100%	Full Consolidation
Sattva Developers Private Limited	100%	Full Consolidation
Devbhumi Realtors Pvt Ltd	50%	Full Consolidation
Debonair Realtors Pvt Ltd	100%	Full Consolidation
Sattva Real Estate Pvt Ltd	100%	Full Consolidation
Darshita Infrastructure Pvt Ltd	50%	Full Consolidation
Softzone Tech Park Limited	100%	Full Consolidation
Darshita Hi-Rise Private Limited	100%	Full Consolidation
Salarpuria Grihanirman Private Limited	100%	Full Consolidation
Mindcomp Tech Park Pvt Ltd (Formerly: Krishil Tech Park Pvt Ltd.,)	100%	Full Consolidation
Mascot Properties Private Limited	100%	Full Consolidation
Darshitha Edifice LLP	100%	Full Consolidation
Sattva Housing Private Limited	100%	Full Consolidation
Rajlaxmi Grihanirman Private Limited	100%	Full Consolidation
Salarpuria Developers Private Limited	100%	Full Consolidation
Haraparvati Realtors Private Limited	50%	Full Consolidation
Harkeshwar Realtors Private Limited	100%	Full Consolidation
Rajmata Realtors Private Limited	100%	Full Consolidation
Neelanchal Projects LLP	100%	Full Consolidation
Mindcomp Properties Pvt Ltd	100%	Full Consolidation
Quadro Infotechnologies Private Limited	100%	Full Consolidation
Satern Grihanirman Private Limited	50%	Full Consolidation
Monotype Griha Nirman Pvt Ltd	50%	Full Consolidation
Visharada Grihanirman Private Limited	100%	Full Consolidation
NDS Properties LLP	100%	Full Consolidation
Worldwide Realcon Private Limited	50%	Full Consolidation
Darshita Southern India Happy Homes Private Limited	60%	Full Consolidation
Salarpuria Builders Pvt Ltd	100%	Full Consolidation
Siddeshwari Grihanirman Private Limited	100%	Full Consolidation
Darshita Housing Private Limited	100%	Full Consolidation
Jaganmayi Real Estate Private Limited	100%	Full Consolidation
Suparna Realtors Private Limited	100%	Full Consolidation
Jananya Realtors Private Limited	100%	Full Consolidation
Jaganmayi Manor Private Limited	100%	Full Consolidation
Moonlike Construction Private Limited	50%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Poppy Realtors Private Limited	100%	Full Consolidation
Greenage Grihanirman Private Limited	100%	Full Consolidation
Bhojeshwar Realtors Private Limited	100%	Full Consolidation
Salarpuria Housing Private Limited	100%	Full Consolidation
Poorna Buildtech	100%	Full Consolidation
Neelanchal Dwelling LLP	100%	Full Consolidation
S.S. Developers	100%	Full Consolidation
Trinayani Realtors Private Limited	100%	Full Consolidation
Salarpuria Real Estate Private Limited	100%	Full Consolidation
Chinnamasta Properties Private Limited	100%	Full Consolidation
Sattva Infrastructure India Pvt. Ltd.	100%	Full Consolidation
Sattva Build-Con Pvt Ltd.,	100%	Full Consolidation
Neelanchal Realtors LLP	100%	Full Consolidation
Eden Buildcon Limited	100%	Full Consolidation
Sppl Property Management& Smpl	100%	Full Consolidation
Sattva Properties Management Pvt. Ltd.(Mindcomp Residence Private Limited)	100%	Full Consolidation
Neelanchal Griha Nirman Private Limited	100%	Full Consolidation
Sattva Infra Management Private Limited (Mindcomp Buildpro Private Limited)	100%	Full Consolidation
Neelanchal High Rise LLP	100%	Full Consolidation
Water Edge Builders Private Limited (Sattva Builders Private Limited)	100%	Full Consolidation
Sattva Realtors Pvt Ltd	100%	Full Consolidation
Coremind Software & Services Private Limited	100%	Full Consolidation
Neelanchal Lifestyle Housing LLP	100%	Full Consolidation
Darshita Projects Private Limited	100%	Full Consolidation
Darshita Build Tech Private Ltd	100%	Full Consolidation
Savitrimata Realtors Pvt Ltd	100%	Full Consolidation
Wellgrowth Grihanirman Private Limited	100%	Full Consolidation
Moonlight Niketan Pvt Ltd	100%	Full Consolidation
Sattva Homes Private Limited	100%	Full Consolidation
Shirasa Edifice Pvt Ltd	100%	Full Consolidation
Darshita Properties Pvt Ltd	100%	Full Consolidation
Salarpuria Signum Complex LLP	60%	Full Consolidation
Darshita Aashiyana Private Limited *	100%	Full Consolidation
Dawntech Electronics Pvt Ltd *	100%	Full Consolidation
Simpliwork Offices Pvt Ltd *	55%	Full Consolidation
SPPL Hotels Private Limited *	50%	Full Consolidation

*Source: Company; ICRA Research; * ICRA has factored in financial support to SPPL Hotels Private Limited, Dawntech Electronics Pvt Ltd and Simpliwork Offices Pvt Ltd, based on the corporate guarantee extended by Salarpuria-Sattva Group towards these entities. ICRA has also factored in financial support extended to Darshita Aashiyana Private Limited (DAPL) given that the Group is willing to extend financial support to DAPL out of its need to protect its reputation from the consequences of a Group's entity distress.*

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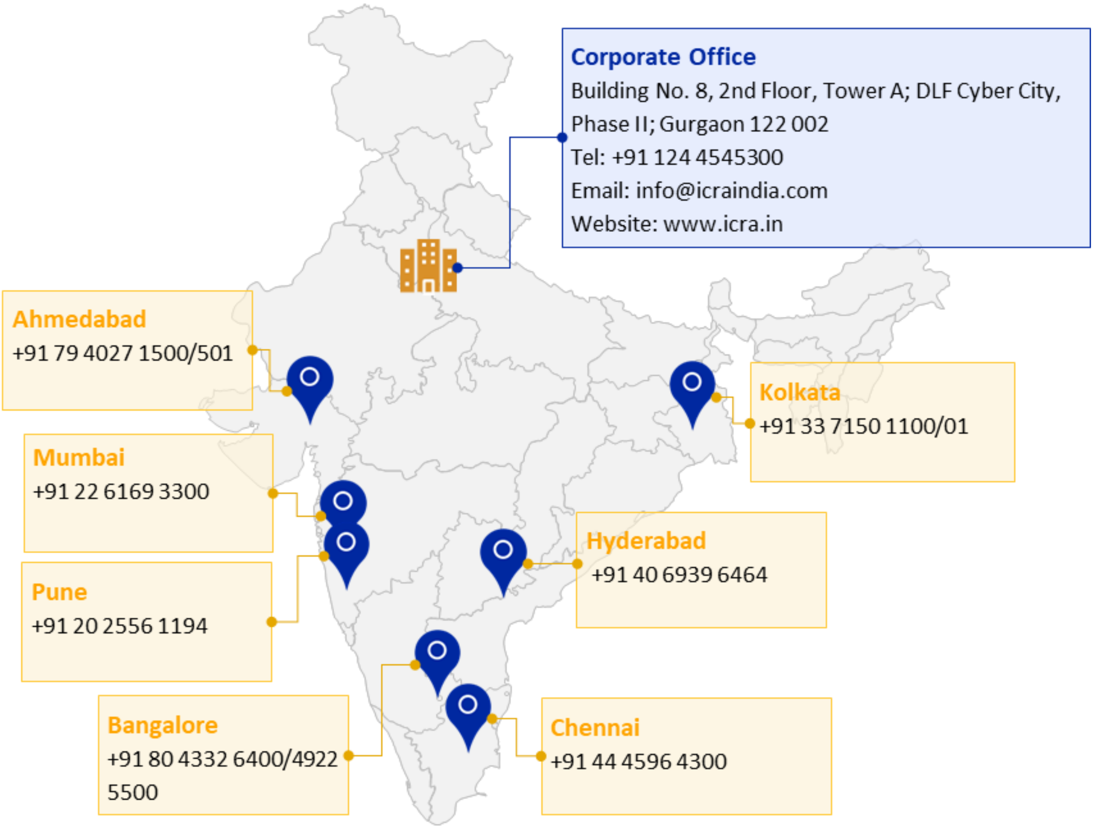

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