

January 12, 2024

Darshita Aashiyana Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Working capital limit	980.0	980.0	[ICRA]A (Stable); reaffirmed
Long-term/Short-term – Fund-based – Working capital limit	520.0	1925.0	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed/assigned for enhanced amount
Long-term/Short-term – Non-fund based facilities	1,180.0	1,180.0	[ICRA]A (Stable)/ [ICRA]A2+; reaffirmed
Long-term/Short-term – Unallocated	0.0	50.0	[ICRA]A (Stable)/ [ICRA]A2+; assigned
Total	2,680.0	4,135.0	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings for Darshita Aashiyana Private Limited (DAPL) factors in the continued healthy scale of operations of around Rs. 17,000 crore estimated in FY2024 (PY: Rs. 16,770 crore), backed by steady demand for mobile phones on e-commerce platforms and sustained operating margins at ~1.0-1.1% (PY: 1.1%). The ratings consider the stabilised operations and DAPL's established relationships with the existing brands such as Oneplus, Xiaomi and Oppo. DAPL enhanced its working capital limits in 9M FY2024, which will support its medium-term growth prospects. The company enjoys high financial flexibility by way of support extended from the Sattva Group and its promoters in the form of unsecured loans. The Sattva Group has extended timely financial support to DAPL in the past, whenever need has arisen. ICRA expects the same to continue in future as well.

The ratings, are however, constrained by DAPL's modest profitability, amid high working capital-intensive nature of the trading business. The utilisation of working capital lines remains volatile, increasing during the festive season or sales events or any new launches. The TOL/TNW remains high to fund the inventory levels due to large volumes. However, the inventory is largely moving. In case of any slow-moving goods, the brands and the entity come to an arrangement by way of bank offers and price reduction to sell the same, thereby liquidating inventory at discounted price. The ratings are also constrained by the 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 sustained high scale of operations and strong financial flexibility enjoyed, being a part of the Sattva Group.

Key rating drivers and their description

Credit strengths

Strong promoter profile – DAPL is fully held by the promoters of the Sattva Group, having extensive experience across sectors like real estate, trading, hospitality and education and established track record of more than 37 years. The company enjoys high financial flexibility by way of support extended from the Sattva Group and its promoters in the form of unsecured loans.

The Sattva Group has extended timely financial support to DAPL in the past, whenever need has arisen and ICRA expects the same to continue in future as well.

Sustained healthy scale of operations and brand diversification – The company benefits from continued healthy scale of operations of around Rs. 17,000 crore estimated in FY2024 (PY: Rs. 16,770 crore), backed by favourable demand for mobile phones on e-commerce platforms and sustained operating margins at ~1.0-1.1% (PY: 1.1%). The company has established relationships with the existing brands such as Oneplus, Xiaomi and Oppo resulting in healthy revenue diversification. DAPL enhanced its working capital limits in 9M FY2024, which will support its medium-term growth prospects.

Credit challenges

Modest profitability and high working capital requirements – The company has modest profitability, amid high working capital-intensive nature of the trading business. The utilisation of working capital lines remains volatile, increasing during the festive season or sales events or any new launches. The TOL/TNW remains high to fund the inventory levels due to large volumes. However, the inventory is largely moving. In case of any slow-moving goods, the brands and the entity come to an arrangement by way of bank offers and price reduction to sell the same, thereby liquidating inventory at discounted price.

Stiff competition and regulatory risks in e-commerce business – The company faces intense competition from other sellers in the online marketplace and from offline retailers, alongside 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. The company has free cash balance of ~Rs. 143 crore as on March 31, 2023. In 9M FY2024, it has enhanced its working capital limits, which will support its medium-term growth prospects. In the past, the Group/promoters have extended support to DAPL in the form of unsecured loans and margin required for availing credit limits.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the entity demonstrates healthy improvement in profitability and liquidity position, along with working capital cycle resulting in improved debt protection metrics on a prolonged 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 considerable decline in profitability or elongation of working capital cycle impacting its liquidity position and debt coverage metrics on a sustained basis. Additionally, any regulatory change adversely impacting the operations of the business or any substantial investments in Group companies that significantly affects the company's liquidity will be a negative trigger. Weakening of linkages with the parent company could lead to pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Group company - Sattva Developers Private Limited and Salarpuria Properties Private Limited ICRA expects the Sattva Group to be willing to extend financial support to DAPL, should there be a need, given its high strategic importance for the Group for meeting its diversification objectives. ICRA 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	Standalone

About the company

Darshita Aashiyana Private Limited (DAPL), incorporated on May 13, 2016, commenced operations at the end of FY2017. The company is an online retailer on Amazon Marketplace. It serves as a seller for various mobile brands like, Xiaomi, OnePlus, Honor, Huawei, etc, through Amazon Marketplace.

Key financial indicators (audited)

DAPL	FY2022	FY2023
Operating income	17,028	16,769
PAT	105.0	59.7
OPBDIT/OI	1.06%	1.08%
PAT/OI	0.62%	0.36%
Total outside liabilities/Tangible net worth (times)	13.1	8.6
Total debt/OPBDIT (times)	6.2	5.2
Interest coverage (times)	3.6	1.5

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Nov 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
					Jan 12, 2024		Feb 04, 2022	May 25, 2021	
1	Working capital 1	Long term	980.0	2396.7	[ICRA]A (Stable)	[ICRA]A (Stable) assigned; earlier rating of [ICRA]A (CE) (Stable) withdrawn	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Stable)	[ICRA]A (CE) (Stable)
2	Working capital 2	Long term and short term	1925.0		[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A-(Stable) / [ICRA]A2+	[ICRA]A-(Stable) / [ICRA]A2+	-
3	Non-fund based facilities	Long term and short term	1,180.0		[ICRA]A (Stable)/[ICRA]A2+	[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)
4	Unallocated	Long term and short term	50.0	-	[ICRA]A (Stable)/[ICRA]A2+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Working capital limit	Simple
Long-term/Short-term – Fund-based – Working capital limit	Simple
Long-term/Short-term – Non-fund based facilities	Very Simple
Long term/Short term – Unallocated	NA

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 1	NA	NA	NA	980.0	[ICRA]A (Stable)
NA	Working capital 2	NA	NA	NA	1925.0	[ICRA]A (Stable)/ [ICRA]A2+
NA	Non-fund based facilities	NA	NA	NA	1180.0	[ICRA]A (Stable)/ [ICRA]A2+
NA	Unallocated	NA	NA	NA	50.0	[ICRA]A (Stable)/ [ICRA]A2+

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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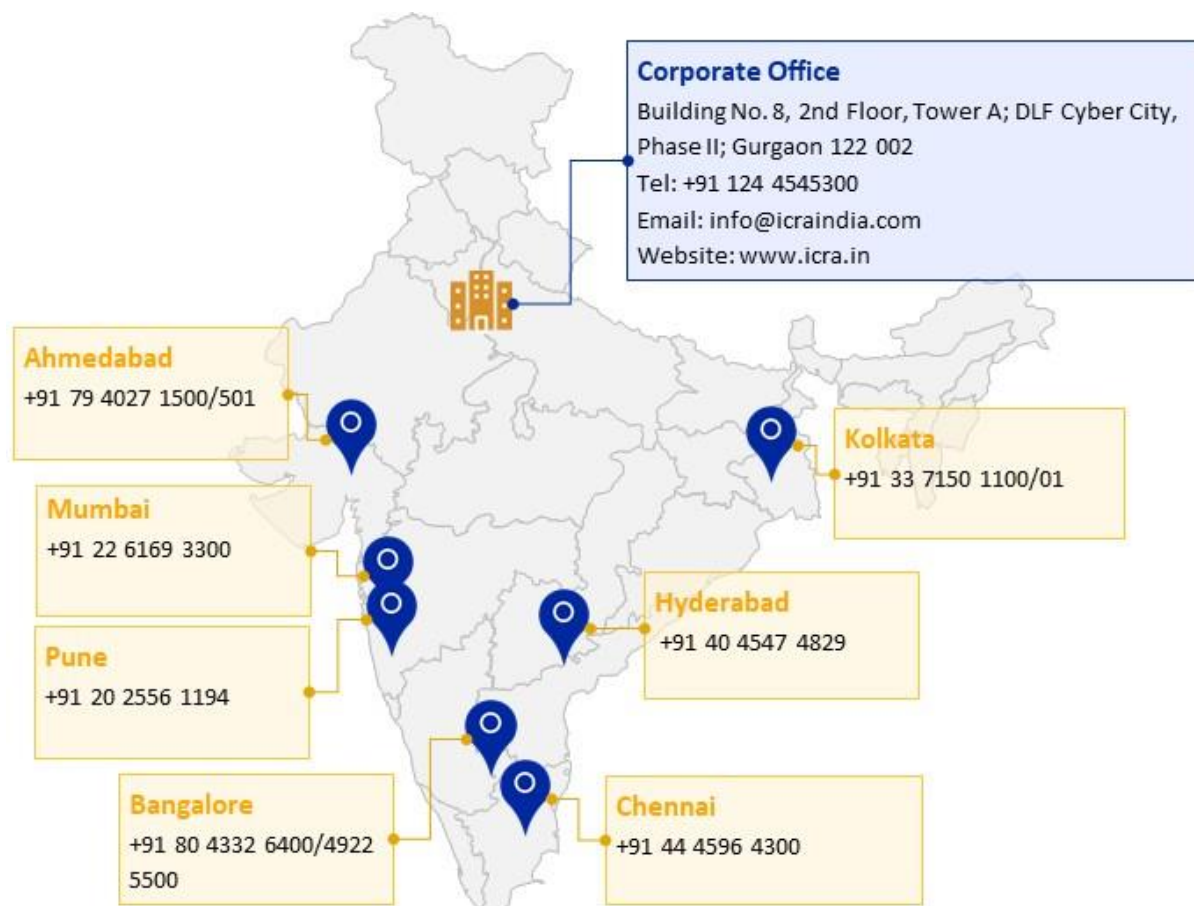


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