

February 07, 2020

## Salarpuria Signum Complex LLP: Rating reaffirmed; Rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Facilities	52.50	60.00	[ICRA]A assigned/reaffirmed; outlook revised to Stable from Positive
<b>Total</b>	<b>52.50</b>	<b>60.00</b>	

\*Instrument details are provided in Annexure-1

Note: Previously the rating was Provisional [ICRA]A (CE) (Positive). The (CE) suffix mentioned alongside the rating symbol indicated that the rated instrument/facility was backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. This rating was specific to the rated instrument/facility, its terms and its structure and did not represent ICRA's opinion on the general credit quality of the entity concerned. The rating was also provisional and was subject to fulfilment of all conditions as mentioned to ICRA and execution of documentation in line with the drafts shared with ICRA. Post consolidation of the rating view for Salarpuria Signum Complex LLP (SSCLLP) with that of its promoter group, the rating for SSCLLP stands at [ICRA]A (Stable).

### Rationale

Given the presence of strong operational, financial and managerial linkages, as well as the irrevocable and unconditional corporate guarantees provided/proposed to be provided for the credit facilities availed/to be availed by Salarpuria Signum Complex LLP (SSCLLP) by its parent company, Salarpuria Properties Private Limited<sup>1</sup> (SPPL; rated [ICRA]A with Stable outlook), ICRA has taken a consolidated rating view on Salarpuria Signum Complex LLP and the Salarpuria-Sattva Group (of which Salarpuria Properties Private Limited is a part). The consolidated entities are hereinafter referred to as the Salarpuria-Sattva Group or the Group.

The revision in outlook takes into account the increasing leverage in the Group, on the back of the large-scale under-construction projects in the office leasing segment. The leverage - as measured by lease rental discounting (LRD) debt to annualized rental – stands at 5.4 times as on March 31, 2019. While the leverage remains comfortable for the current rating, positive triggers for the rating will be linked to timely completion and leasing of the ongoing projects and reduction in leverage. Over the years, the Group has developed over 26.2 msf (million square feet) of built-up area in commercial segment. As on March 31, 2019, the Group owns leasable area of 6.53 msf out of the developed area, generating annualised rental inflows of Rs. 479.8 crore. In FY 2020, an additional 4.0-4.5 msf will be completed, of which the Group has already completed 3.0 msf of commercial space as on Sep 2019. However, the full impact of the incremental rentals is expected to come through only in FY2021, extending support towards moderating the overall leverage.

The rating continues to derive support from the established position of the Salarpuria-Sattva group in the real estate market with track record of more than 33 years and development of over 48 million square feet (msf) of built-up area in both commercial and residential segments. The ongoing projects of the Group in Hyderabad would help to increase its scale and presence in locations other than Bangalore. The rating further draws comfort from strong financial flexibility and liquidity profile of the group, aided by moderate leveraging against the rental income portfolio and availability of undrawn, sanctioned credit limits.

<sup>1</sup> [Link for latest rationale](http://www.icra.in)  
www.icra.in

The rating is, however, constrained by the Group's exposure to significant execution, market and funding risk arising from the ongoing and planned capital expenditure in the next 4-5 years. Any decline in the office space absorption trends in Hyderabad and Bangalore over the medium term could adversely impact the occupancy level in these projects considering the significant supply pipeline. However, the group has been able to demonstrate speedy execution and high occupancy in completed phases, hence mitigating the risks to some extent. The rating also factors in modest sales performance of the Group's residential projects over the last couple of years, impacted by the general slowdown being experienced in the residential market.

## Key rating drivers and their description

### Credit strengths

**Established track record and brand recognition of the Salarpuri-Sattva Group in real estate industry** - The Salarpuri-Sattva Group is one of the leading real estate players in the Bangalore real estate market with strong brand recognition and established track record of more than 33 years. The Group has completed several residential and commercial projects in and around Bangalore and has plans to significantly increase its presence in Hyderabad in the next two-three years.

**Healthy rental income of the Group from the commercial segment** – The Group receives stable rental income from its leased commercial properties, located in Bangalore and Hyderabad, characterised by high occupancy levels. Over the years, the Group has developed over 26.2 msf (million square feet) of built-up area in commercial segment. As on March 31, 2019, the Group owns leasable area of 6.53 msf out of the developed area, generating annualised rental inflows of Rs. 479.8 crore. The leased projects have established tenants like JPMC, Microsoft, Novartis, Google, State Street, etc. In FY 2020, an additional 4.0-4.5 msf will be completed, of which the Group has already completed 3.0 mn sft of commercial space as on Sep 2019.

**Strong financial flexibility of the Group** – The Group enjoys strong financial flexibility and comfortable liquidity against its commercial leasing portfolio on account of undrawn sanctioned lease rental discounting (LRD) limits with adequate drawing power, potential for further LRD top-up, if required. The group has annualized rental income of Rs 479.8 crore as on March 2019, as against which the LRD debt outstanding was Rs 2590.4 crore.

### Credit challenges

**Increasing leverage of the Group; however, expected to moderate in future** – Overall debt in the Group has increased to Rs. 4795 crore as on August 2019 from Rs. 2881 crore as on March 2018, on the back of the large-scale under-construction projects in the office leasing segment. The leverage - as measured by lease rental discounting (LRD) debt to annualized rental – stands at 5.4 times as on March 31, 2019. Notwithstanding the increasing leverage, the debt coverage indicators remain comfortable backed by the long tenure of the LRD loans availed. With timely completion of additional projects under implementation, the leverage is expected to moderate going forward.

**Significant execution and market risks for both SSCLLP and the Group as a whole** – The group is exposed to significant execution risk considering the large capex planned to be incurred in the next two-three years. The group has plans to develop about 13.3 msf of leasable area in and around Hyderabad and Bangalore. Presently, around 50% of the area is pending to be tied-up through lease agreements; however, the Group is under various stages of discussion with prospective clients and the current demand trends are also expected to support high occupancy levels upon completion of the projects.

SSCLLP has two ongoing projects – Victoria Vistas and Suncrest Estate - spread over 0.52 mn. sq. ft. in Kolkata, with SSCLLP's share being 0.45 mn. sq. ft. With both projects being at a nascent/intermediate stage in terms of construction and sales, SSCLLP remains exposed to execution and market risks. Moreover, pendency of debt tie-up for Suncrest Estate also results in exposure to funding risks, although ICRA notes that discussions pertaining to the debt tie-up are at an advanced stage.

**Sensitivity to external market factors** - The company is also exposed to external factors such as the inherent cyclical nature in the real estate industry and regulatory risks, which could have an impact on the cash inflows from the residential segment of the company.

### Liquidity position: Adequate

Over the next year, stable rental income and adequate inflows from the residential and contract segment 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 surplus in the existing and upcoming (as and when completed) rental projects provides further liquidity support.

### Rating sensitivities

**Positive triggers** – ICRA could upgrade the rating if the group is able to achieve faster-than-expected construction and leasing in the office leasing portfolio. Specific credit metrics that could lead to an upgrade of rating include LRD debt to annualised rental remaining below 5 times on a sustained basis.

**Negative triggers** – Negative pressure on rating could arise in case there is delay in leasing tie-ups in the ongoing and upcoming commercial projects, leading to slower-than-expected ramp-up in rentals and lower-than-expected cash cover. Specific credit metrics that could lead to a downgrade of rating include LRD debt to annualised rental increasing above 6 times on sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Real Estate Entities</a> <a href="#">Rating Methodology for Debt Backed by Lease Rentals</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	ICRA has taken consolidated view of 57 companies of the Salarpuria-Sattva Group, based on the strong operational and financial linkages between the group entities and their common management group. In addition to the above, ICRA has also consolidated (on a limited basis) SPPL Hotels Private Limited and Darshita Aashiyana Private Limited, based on the corporate guarantee extended by Salarpuria-Sattva Group towards these entities.

## About the company

Salarpuria Signum Complex LLP (SSCLLP) is part of the Salarpuria-Sattva Group and is implementing two projects in Kolkata under joint venture with the land-owners and with a co-developer – Signum Group. The projects being developed are Victoria Vistas with an area of 0.11 mn. sq. ft. (SSCLLP's share - 0.04 mn. sq. ft.) in Bhowanipore, Kolkata and Suncrest Estate with an area of 0.41 mn. sq. ft. on Southern Bypass, South 24 Parganas, near Kolkata.

## About the Group:

Salarpuria Properties Private Limited and Sattva Developers Private Limited (SDPL) are the two flagship companies of the Salarpuria-Sattva Group founded 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 48 million square feet of development in the past 33 years of its existence. The group is currently executing residential projects with total saleable area of around 6.7 million sqft, mainly consisting of residential projects in Bangalore. The group currently has a sizeable commercial real estate portfolio, generating annualised rental inflows of Rs. 479.8 crore as on March 31, 2019. The commercial properties of the group which are located in prime locations in Bangalore have witnessed high occupancy levels and house many reputed tenants such as Hewlett Packard India, HSBC, WM Global etc.

## Key financial indicators - Consolidated

	<b>FY2018*</b>	<b>FY2019*</b>
Operating Income (Rs. crore)	1565.5	1777.5
PAT (Rs. crore)	462.1	480.7
OPBDIT/OI (%)	45.6%	41.2%
RoCE (%)	17.5%	14.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.1	1.1
Total Debt/OPBDIT (times)	4.9	6.3
Interest Coverage (times)	2.1	3.3
DSCR	2.4	2.5

*\*Based on consolidation done for ICRA's rating process*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2020)					Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating		FY2019	FY2018	FY2017
					7-Feb-20	8-Jul-19			
1	Fund-based facilities	Long Term	60.00	10.75*	[ICRA]A (Stable)	Provisional [ICRA]A(CE) (Positive)	-	-	-

\*As in March, 2019

Amount in Rs. crore

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	December, 2017	-	June, 2021	12.50	[ICRA]A (Stable)
NA	Term Loan 2*	-	-	-	47.50	[ICRA]A (Stable)

\*Proposed

Source: SSCLLP

## Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Devbhumi Realtors Pvt Ltd	Group Company	Full Consolidation
Softzone Tech Park Limited	Group Company	Full Consolidation
Darshita Infrastructure Pvt Ltd	Group Company	Full Consolidation
Salarpuria Properties Private Limited	Group Company	Full Consolidation
Worldwide Realcon Private Limited	Group Company	Full Consolidation
Haraparvati Realtors Pvt Ltd	Group Company	Full Consolidation
Rajmata Realtors Private Limited	Group Company	Full Consolidation
Poppy Realtors Private Limited	Group Company	Full Consolidation
Sattva Realtors Pvt Ltd	Group Company	Full Consolidation
Greenage Grihanirman Private Limited	Group Company	Full Consolidation
Debonair Realtors Pvt Ltd	Group Company	Full Consolidation
Salarpuria Grihanirman Private Limited	Group Company	Full Consolidation
Mindcomp Properties Pvt Ltd	Group Company	Full Consolidation
Sattva Developers Private Limited	Group Company	Full Consolidation
Mindcomp Tech Park Pvt Ltd	Group Company	Full Consolidation
Coremind Software & Services Private Limited	Group Company	Full Consolidation
S S Developers Pvt Ltd	Group Company	Full Consolidation
Darshitha Edifice LLP	Group Company	Full Consolidation
Neelanchal Realtors LLP	Group Company	Full Consolidation
Sattva Housing Private Limited	Group Company	Full Consolidation
Quadro Infotechnologies Private Limited	Group Company	Full Consolidation
Salarpuria Housing Private Limited	Group Company	Full Consolidation
Rajlaxmi Grihanirman Private Limited	Group Company	Full Consolidation
Salarpuria Developers Private Limited	Group Company	Full Consolidation
Sppl Property Management Private Limited	Group Company	Full Consolidation
Poorna Buildtech Pvt Ltd	Group Company	Full Consolidation
Salarpuria Real Estate Private Limited	Group Company	Full Consolidation
Sattva Real Estate Pvt Ltd	Group Company	Full Consolidation
Sattva Builders Pvt Ltd	Group Company	Full Consolidation
Moonlight Niketan Pvt Ltd	Group Company	Full Consolidation
Harkeshwar Realtors Private Limited	Group Company	Full Consolidation
Mascot Properties Private Limited	Group Company	Full Consolidation
Satarn Grihanirman Private Limited	Group Company	Full Consolidation
Vedant Grihanirman Private Limited	Group Company	Full Consolidation
Bhojeshwar Realtors Private Limited	Group Company	Full Consolidation

Company Name	Ownership	Consolidation Approach
Wellgrowth Grihanirman Private Limited	Group Company	Full Consolidation
Pluto Realtors Private Limited	Group Company	Full Consolidation
Neelanchal Projects Llp	Group Company	Full Consolidation
Monotype Griha Nirman Pvt Ltd	Group Company	Full Consolidation
Neelanchal Lifestyle Housing Llp	Group Company	Full Consolidation
Neelanchal Dwelling Llp	Group Company	Full Consolidation
Darshita Hi-Rise Pvt Ltd	Group Company	Full Consolidation
Darshita Projects Private Limited	Group Company	Full Consolidation
Darshitha Build Tech Pvt Ltd	Group Company	Full Consolidation
Savitrimata Realtors Pvt Ltd	Group Company	Full Consolidation
Darshitha Southern India Happy Homes Private Limited	Group Company	Full Consolidation
Chinnamasta Properties Private Limited	Group Company	Full Consolidation
Moonlike Construction Private Limited	Group Company	Full Consolidation
Neelanchal High Rise Llp	Group Company	Full Consolidation
Sattva Infrastructure India Pvt. Ltd.	Group Company	Full Consolidation
Sattva Build-Con Pvt Ltd.	Group Company	Full Consolidation
Salarpuria Builders Pvt Ltd	Group Company	Full Consolidation
Siddeshwari Grihanirman Private Limited	Group Company	Full Consolidation
Darshita Housing Private Limited	Group Company	Full Consolidation
Eden Buildcon Limited	Group Company	Full Consolidation
Jaganmayi Real Estate Private Limited	Group Company	Full Consolidation
Salarpuria Signum Complex LLP	Group Company	Full Consolidation
SPPL Hotels Private Limited	Group Company	Limited Consolidation
Darshita Aashiyana Private Limited	Group Company	Limited Consolidation

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