

Press Release

Daksha Infrastructure Private Limited (DIPL)

June 18, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 225.00 Cr.
Long Term Rating	ACUITE A- (SO) #/Outlook: Stable (Assigned)

* Refer Annexure for details

#Credit enhancement on account of structured payment mechanism

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE A- (SO)**' (read as **ACUITE A minus structured obligation**) on the Rs.225.00 crore bank facilities of Daksha Infrastructure Private Limited. The outlook is '**Stable**'.

Daksha Infrastructure Private Limited (DIPL) is a part of Pune based 'Suma Shilp' Group promoted by Mr. Ananda Naralkar. Mr. Pramod Naralkar, son of Mr. Ananda Naralkar, currently oversees the group's operations.

DIPL has three revenue verticals viz. Real estate, Renewable energy & treasury. Under the real estate vertical, the company derives revenues from lease rentals. DIPL owns a commercial property Westend Center III which has three buildings in Aundh, Pune – Building B, C and D wing having total leasable area of 4.30 LSF. The commercial property is fully occupied.

Under the renewable energy vertical, DIPL has 9 windmills of installed capacity of 7.65 MW (Megawatt) at Jath site in district Sangli at Maharashtra and a solar project located in Mandrup village of Solapur district. The windmills have commissioned and are operating since October 2011 achieving a PLF factor of around 17 to 20 percent. The solar project has a capacity of 2 MW located in Mandrup village of Solapur district at Maharashtra. The solar project is operational since FY2014.

Under the treasury vertical, the company has significant investments in mutual funds and other liquid investments.

Key Rating Drivers

Strengths

- **Experienced management**

The group chairman, Mr. Pramod Naralkar is a civil engineer. Under his leadership since 1983, the group has developed projects ranging from bridges and flyovers to self-contained residential townships, IT parks, commercial and retail projects in Pune.

- **Established revenue streams from real estate division**

DIPL benefits from its strategically located property in Aundh (Pune). DIPL has demonstrated the ability to attract and retain high quality clients.

- **Debt servicing supported by debt service reserve account (DSRA) and credit enhancement in the form of liquid investments**

DIPL proposes to avail a term loan to refinance some of its existing term loans. Since the existing term loan has a DSRA stipulation, DIPL also proposes to maintain a DSRA for the proposed term loan. DSRA is equivalent to two months of installments. Besides DSRA, the company also proposes a credit enhancement in the form of liquid investments of Rs.50.00 crore. In case of any shortfall in DSRA, the same shall be replenished to its original levels within "T+3" working days, where 'T' is the day on which the shortfall is occurred, by way of liquidation from the liquid investments. Further, the terms of

sanction for the term loan stipulate an escrow mechanism through which rent receipts are routed and used for payment as per the defined payment waterfall. Surplus cash flow after meeting tax expenses, operating expenses, debt servicing obligation can be utilised for acceleration debt repayment.

Weaknesses

• Customer concentration risk

In the event of non-renewal by existing lessee, the future cash flows will be impacted thereby translating to weakening of debt protection indicators. Two large IT tenants contribute to more than 60 percent of the total lease rentals. In the event of either of the companies deciding to move out or seeking a renegotiation, the rentals are likely to be impacted. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor.

• Limited track record of operations in the capital markets business

Apart from real estate and leasing business, DIPL started its treasury operations in FY2017 from its investible surplus. The company has availed the services of professionals to help in asset allocation and various investment decisions. Since a part of the liquid investments will be deployed in equity and equity linked securities the company will be prone to the vagaries of the capital market. While the company officials don't anticipate an equity allocation beyond 25 percent, the performance of the treasury division and its ability to generate return commensurate with risk is yet to be examined. Against this background, the return from treasury division will be volatile and it will be difficult to derive significant comfort from liquid investments in the absence of track record of operations.

Analytical Approach

For arriving at its rating, Acuite has considered the standalone business and financial risk profile of DIPL.

Outlook: Stable

Acuite believes that DIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and steady cash flows from the real estate vertical. The outlook may be revised to 'Positive' in case the company generates healthy net cash accruals while improving the liquidity position. Conversely, the outlook may be revised to 'Negative' with deterioration in the financial profile on account of decline in cash accruals or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	82.37	30.95	31.05
EBITDA	Rs. Cr.	25.94	28.10	22.11
PAT	Rs. Cr.	8.95	11.70	9.49
EBITDA Margin	(%)	31.49	90.78	71.22
PAT Margin	(%)	10.86	37.79	30.55
ROCE	(%)	12.91	15.74	30.36
Total Debt/Tangible Net Worth	Times	2.73	2.83	3.12
PBDIT/Interest	Times	1.59	1.76	1.67
Total Debt/PBDIT	Times	5.60	4.76	4.77
Gross Current Assets (Days)	Days	1,073	211	156

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan I	Not Applicable	Not Applicable	Not Applicable	77.50	ACUITE A-(SO) / Stable (Assigned)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	147.50	ACUITE A-(SO) / Stable (Assigned)

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About Acuité Ratings & Research:

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