

Change in Rating Symbol

September 16, 2019

Daksha Infrastructure Private Limited

Total Bank Facilities Rated	Rs. 225.00 Cr
Long Term Rating	ACUITE A- / Stable

Pursuant to SEBI Circular SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019 there is a revision in the rating symbol. The change to 'CE' suffix / removal of 'SO' suffix for the rated instrument(s) is not to be construed as any change in the rating or Acuité's credit opinion on the said instrument(s). The previous rating rationale is appended herewith for reference.

For the background note, please visit: [https://www.acuite.in/pdf/General%20Communication%20For%20Website%20\(1\).pdf](https://www.acuite.in/pdf/General%20Communication%20For%20Website%20(1).pdf)

Criteria for assigning ratings with 'SO' suffix: <https://www.acuite.in/view-rating-criteria-48.htm>

Criteria for assigning ratings with 'CE' suffix: <https://www.acuite.in/view-rating-criteria-49.htm>

Press Release

Daksha Infrastructure Private Limited

September 06, 2019



Rating Reaffirmed

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

* Refer Annexure for details

#Rating based on credit enhancement on account of structured payment mechanism

Rating Rationale

Acuité has reaffirmed the 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 (DIPL). The outlook is '**Stable**'.

DIPL is a part of Pune-based 'Suma Shilp' Group promoted by Mr. Ananda Naralakar. Mr. Pramod Naralakar, son of Mr. Ananda Naralakar, 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 (Maharashtra) and a solar project located in Mandrup village of Solapur district. The windmills have been commissioned and are operating since October 2011 achieving a PLF factor of around 17 to 20 per cent. 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.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone credit profile of DIPL. Further, Acuité has considered credit enhancement in the form of DSRA equivalent to two months of principal installments and escrow mechanism with a well-defined waterfall mechanism while arriving at the rating. Also, Acuité has also considered a credit enhancement in the form of liquid investments of Rs.50.00 crore.

Key Rating Drivers

Strengths

• **Experienced management and established revenue streams from real estate division**

The group chairman, Mr. Pramod Naralakar, 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. Also, 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 has refinanced some of its existing term loans in FY2018 and continues to maintain DSRA as per the stipulation. DSRA is equivalent to two months of installments. Besides DSRA, the company also has 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 per cent 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 per cent, 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.

Liquidity Position:

DIPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.10.53 crore to Rs.13.80 crore during the last four years through 2016-19, while its maturing debt obligations were in the range of ~Rs. 5.35 crore to Rs. 12.67 crore over the same period. The cash accruals of the company are estimated to remain around ~Rs.16.02 crore to 20.92 crore during 2020-22, while its repayment obligation are estimated to be in the range of ~Rs.6.43 crore to Rs.9.39 crore. The company's cash flows are expected to remain enough to fund the debt payments in FY2020. Nevertheless, the company's strong liquidity position will be supporting it in case of any cash flow mismatches. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accrual backed by significant improvement in revenues.

Outlook: Stable

Acuité 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	207.22	342.47	82.37
EBITDA	Rs. Cr.	39.79	25.35	25.94
PAT	Rs. Cr.	12.40	11.77	8.95
EBITDA Margin	(%)	19.20	7.40	31.49
PAT Margin	(%)	5.99	3.44	10.86
ROCE	(%)	12.38	12.74	12.91
Total Debt/Tangible Net Worth	Times	2.62	2.60	2.73
PBDIT/Interest	Times	1.70	1.70	1.59
Total Debt/PBDIT	Times	6.05	5.79	5.60
Gross Current Assets (Days)	Days	207	101	1,073

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jun-2018	Term Loan	Long Term	77.50	ACUITE A- (SO)/ Stable (Assigned)
	Term Loan	Long Term	147.50	ACUITE A- (SO)/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	78.51	ACUITE A-(SO) /Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	146.49	ACUITE A-(SO) /Stable (Reaffirmed)

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About Acuité Ratings & Research:

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