

Press Release

Daksha Infrastructure Private Limited

May 25, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	225.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	225.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.225 crore bank facilities of Daksha Infrastructure Private Limited (DIPL). The outlook remains '**Stable**'.

Rationale for Reaffirmation

The rating continues to reflect the established track record and extensive experience of management in the real estate industry. Further, the rating draws comfort from additional liquidity available from its investments and a debt service reserve account maintained by the company to support the repayments on a timely basis. However, the rating continues to remain constrained by the fluctuations in revenue since last four years due to fluctuating treasury revenues and customer concentration risk along with timely renewal of lease agreements.

About the Company

DIPL is a part of Pune-based 'Suma Shilp' Group initially promoted by Mr. Anand Naralakar. Mr. Pramod Naralakar, son of Mr. Anand 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 commercial properties at Westend Center I, II & III, consisting of 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. Further, the company owns 10th to 13th Floor of Westend Icon-IT Office and done the extension of 8th to 11th floor of Westend centre. 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, Acuite has considered the standalone credit profile of Daksha

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 such as FIS Solutions India, One Network Enterprises and Jubilant Foods Limited amongst others. Further, the company has recently developed two new projects of Westend Icon IT-Office from 10th to 15th floor with a saleable area of 1,54,314 sqft. and Westend Centre One-Extension from 8th to 11th floor with a saleable area of 1,54,359 sqft. Lease rentals are expected to increase in the medium term with leasing out of new spaces developed by the company.

Acuite believes that DIPL will continue to benefit from established track record of group and experience of the management over a medium term.

Debt servicing supported by debt service reserve account (DSRA) and liquidity in the form of 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 liquidity 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

Fluctuating Operating Performance

The revenue of the company stood at Rs 142.43 Cr in FY 2022 (Provisional) as against Rs 200.16 Cr in FY 2021 and Rs 177.60 Cr in FY 2020 and Rs 231.84 Cr in FY 2019. The revenue trend is fluctuating since last four years. However, the major reason for fluctuations in revenue is due to fluctuations in operations from treasury segments but revenue from lease rentals remain stagnant. However, the profit after tax (PAT) margins of the company has improved significantly to 14.29 percent in FY 2022 (Provisional) as against 2.14 percent in FY 2021 and 0.07 percent in FY 2020. The major improvement in PAT in FY 2022 (Provisional) is due to profit reported on sale of land and investments of Rs 2.09 Cr and Rs 4.34 Cr respectively.

Acuite believes that revenue of the firm may remain fluctuating considering the major source of revenue is from treasury segment.

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. A large IT tenant contributes to more than 60 per cent of the total lease rentals. In the event of the company 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.

Rating Sensitivities

Significant delays in payment of lease rentals by the counterparty
Timely renewal of lease agreement
Investment philosophy followed by the management for its treasury operations

Material covenants

None

Liquidity Position: Adequate

DIPL has an adequate liquidity position marked by healthy liquid investments in FY2021 at Rs.103.48 Cr. DIPL generated NCA of Rs.6.48 Cr. while its maturing debt obligations stood at Rs.6.45 Cr. in FY2021. However, in FY 2022 (Provisional), the cash accruals generated are Rs 22.41 crores against the maturing debt obligations of Rs 11.15 Cr. The cash accruals of the company are estimated to remain around ~Rs.17.96 crore to 23.09 crore over the medium term, while its repayment obligation is estimated to be in the range of ~Rs.11.92 crore to Rs.13.56 crore. Further, the presence of DSRA along with escrow mechanism with a well-defined waterfall mechanism provides an additional cushion to the liquidity.

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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	143.16	200.16
PAT	Rs. Cr.	20.45	4.28
PAT Margin	(%)	14.29	2.14
Total Debt/Tangible Net Worth	Times	2.15	2.66
PBDIT/Interest	Times	2.43	1.46

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-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Dec 2020	Term Loan	Long Term	145.46	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	76.97	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.57	ACUITE A- Stable (Assigned)
06 Sep 2019	Term Loan	Long Term	78.51	ACUITE A- (SO) Stable (Reaffirmed)
	Term Loan	Long Term	146.49	ACUITE A- (SO) Stable (Reaffirmed)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	9.95	ACUITE A- Stable Reaffirmed
Aditya Birla Finance Limited	Not Applicable	Term Loan	07-03-2018	Not available	15-01-2033	141.23	ACUITE A- Stable Reaffirmed
Bajaj Housing Finance Ltd.	Not Applicable	Term Loan	19-02-2018	Not available	15-04-2032	71.25	ACUITE A- Stable Reaffirmed
Bajaj Finserv Limited	Not Applicable	Term Loan	03-10-2017	Not available	15-10-2033	2.57	ACUITE A- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Sehal Birla Manager-Rating Operations Tel: 022-49294065 sehal.birla@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.