Press Release

Daksha Infrastructure Private Limited

March 21, 2023

Rating Reaffirmed & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	141.23	ACUITE A- | Reaffirmed & Withdrawn	-
Bank Loan Ratings	83.77	Not Applicable | Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	225.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of **'ACUITE A-' (read as ACUITE A minus)** on Rs. 141.23 crore bank facilities of Daksha Infrastructure Private Limited (DIPL).

Further, Acuite has withdrawn its rating on Rs. 83.77 crore bank facilities of Daksha Infrastructure Private Limited.

The rating is withdrawn on account of the request received from the company and NOC received from the banker, on Acuite's policy of withdrawal of ratings.

Rationale for reaffirmation

The rating reaffirmation reflects the established track record and extensive experience of management in the real estate industry. The rating also draws comfort from the improvement in operating performance till January 2023 and additional liquidity available from its investments and a debt service reserve account maintained by the company to support the repayments on a timely basis. The total operating income stood at Rs. 364.65 crore till January 2023 as against Rs. 127.08 crore for FY22 as against Rs. 200.08 crore for FY21. However, the rating continues to remain constrained by the fluctuations in revenue due to the volatility in the treasury segment and customer concentration risk along with occupancy and lease renewal risk.

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 8 th 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, Acuité has considered the standalone credit profile of Daksha Infrastructure Pvt Ltd

Key Rating Drivers

Strengths

Experienced management and established revenue st reams 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 Enterpries 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 an 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.

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 instalments. Besides DSRA, the company also has a liquidity in the form of liquid investments of Rs.60.00 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.

Moderate financial risk profile

The financial risk profile of the company remains moderate marked by healthy networth, low gearing and above average debt protection metrics. The tangible net worth of the company stood at Rs. 125.52 crore as on March 2022 as against 106.02 crore as on March 2021. Increase in networth is on account of increased accretion to reserves. DIPL as on January 2023 has repaid more than 50 percent of its term loans. Approximately Rs. 100 crore of term loans are outstanding as on January 2023. Hence the gearing of the company has improved to 0.67 percent as on January 2023 as against 1.16 times as on March 31, 2022. The debt protection metrics remain comfortable with DSCR at 1.34 times for FY22 as against 1 times in FY21. Interest coverage ratio stood at 2.38 times in FY22 as against 1.46 times in FY21.

Weaknesses

Fluctuating Operating Performance

The operating performance of the company has been volatile over the last three years. The total operating income stood at Rs. 364.65 crore till January 2023 as against Rs. 127.08 crore for FY22 as against Rs. 200.08 crore for FY21. Such fluctuations in the operating income is driven by

the revenue from the treasury segment of the company. Further, the company has completed the construction of additional space of approximately 2.25 square feet and thereby expects to improve its revenue form lease rents in the near to medium term.
The operating margins of the company have been range bound between 12-15 percent over the last three years. The operating margins stood at 12.15 percent till January 2023 as against 12.21 percent in FY22 and 15.76 percent in FY21. PAT margins of the company stood at 6.81 percent till January 2023 as against 15.34 percent in FY22 as against 2.14 percent in FY21. The improvement in PAT margins in FY22 are on account of profits from sale of land.

Customer concentration risk

As on date, ~60% of the property is leased out to a single tenant. DIPL is highly dependent on timely renewal of leave and license agreement from such tenants. Further, occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by lessee due to the latter's lower than expected business performance may result in disruption of cash flow streams, In the event of non-renewal by existing lessee, the future cash flows will be impacted, thereby translating to weakening of debt protection indicators.
Timely renewal of lease agreements and 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
Not applicable

Material covenants
None

Liquidity Position
Adequate

DIPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 21.46 crore in FY22 as against debt service obligation of Rs. 11.15 crore during the same period. The company is expected to generate adequate cash accruals to repay its debt service obligations. The presence of DSRA along with escrow mechanism with a well-defined waterfall mechanism provides an additional cushion to the liquidity.

Outlook:
Not applicable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	127.08	200.16
PAT	Rs. Cr.	19.50	4.28
PAT Margin	(%)	15.34	2.14
Total Debt/Tangible Net Worth	Times	2.16	2.66
PBDIT/Interest	Times	2.38	1.46

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

None

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 May 2022	Term Loan	Long Term	2.57	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	71.25	ACUITE A- | Stable (Reaffirmed)
	Proposed Term Loan	Long Term	9.95	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	141.23	ACUITE A- | Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	9.95	Not Applicable | Withdrawn
Aditya Birla Finance Limited	Not Applicable	Term Loan	07 Mar 2018	Not available	15 Jan 2033	Simple	141.23	ACUITE A- | Reaffirmed & Withdrawn
Bajaj Housing Finance Ltd.	Not Applicable	Term Loan	19 Feb 2018	Not available	15 Apr 2032	Simple	71.25	Not Applicable | Withdrawn
Bajaj Finserv Limited	Not Applicable	Term Loan	03 Oct 2017	Not available	15 Oct 2033	Simple	2.57	Not Applicable | Withdrawn

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@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.