

June 28, 2022

Salarpuria Signum Complex LLP: Rating upgraded to [ICRA]A+ (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based -Term Loan	60.00	60.00	[ICRA]A+ (Stable); Rating upgraded from [ICRA]A (Stable)
Total	60.00	60.00	

*Instrument details are provided in Annexure-1

Rationale

The rating upgrade takes into account the growth in lease rental income of the Salarpuria-Sattva group (“the Group”), driven by steady addition of commercial leasing space, while maintaining adequate occupancy levels. The occupancy in the commercial leasing portfolio of 13.8 million square feet (msf) was 92% as of March 2022, improved from 91% as on November 2020 for 11.3 msf of leasable area. The Group is expected to complete another 4.06 msf commercial development by end of FY23. Furthermore, lower-than-expected debt levels has led to improvement in leverage metrics for the Group. Total debt (including construction finance and debt in residential segment) by annualised rental income is estimated to be around 6 times by end of FY2023.

The rating draws comfort from the established position of the Group in the real estate market with track record of more than 36 years and development of over 65.7 million square feet (msf) of built-up area in both commercial and residential segments. Furthermore, comfort is also derived from continued 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.

The rating, however, continues to be constrained by the Group’s exposure to considerable execution, and market risk arising from the ongoing and planned capital expenditure in the near-to-medium term. Nevertheless, the Group’s demonstrated track record of development and leasing of commercial real estate assets provides comfort. The rating also factors in the vulnerability of the Group’s operations to cyclical demand trends and external factors, such as the Covid-19 pandemic.

The Stable outlook reflects ICRA’s expectation that the credit profile of the Group will remain supported by the Group’s established track record in the real-estate industry, asset quality and moderate leveraging in the commercial segment across locations.

Key rating drivers and their description

Credit strengths

Established track record and brand recognition of the Group in real estate industry - The Salarpuria-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 36 years. The Group has completed several residential and commercial projects in and around Bangalore and Hyderabad.

Healthy rental income from commercial segment – The Group receives stable rental income from its leased commercial properties, located in Bangalore and Hyderabad, supported by high occupancy levels. Over the years, the Group has developed over 36.8 msf (million square feet) of built-up area in commercial segment. As on March 2022, the Group owns leasable area of 13.8 msf out of the developed area, with annualised committed rental inflows of Rs. 1,127 crore. The rental income is expected to steadily improve going forward with addition of incremental area. The leased projects have established tenants

like JPMC, Microsoft, Novartis, Google, State Street, among others. Over the last 18 months, the Group has successfully completed 4.13 msf of commercial development, while an additional 4.06 msf of commercial development will be completed by end of FY23.

Strong financial flexibility in the Group – The Group enjoys strong financial flexibility and comfortable liquidity against its commercial leasing portfolio on account of moderate leverage, undrawn sanctioned lease rental discounting (LRD) limits with adequate drawing power, and potential for raise further LRD loans, if required. The Group has an annualized committed rental income of Rs. 1,127 crore from completed leased properties as of March 2022, as against which the LRD debt outstanding was Rs 5,229 crore as of FY2022. LRD debt constitutes around 77% of the consolidated debt profile as of March 31, 2022. Total debt (including construction finance and debt in residential segment) by annualised rental income is estimated to be around 6 times by end of FY2023.

Credit challenges

Exposure to execution and market risk– The group is exposed to considerable execution risk given the significant capex planned to be incurred in the next two-three years. The group has under construction commercial portfolio of about 10.8 msf of total leasable area in and around Hyderabad and Bangalore mainly, expected to be completed in the next couple of years. Further, another 2.0 msf of commercial space development is in the stage of pre-construction activities. The ongoing pandemic has adversely impacted leasing activities, leading to some deferment in corporates' plans of taking up new spaces, given the business disruption caused and increased adoption of work-from-home. Nonetheless, the Group's demonstrated track record of development and leasing of commercial real estate assets provides comfort.

SSCLLP has two residential 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. Construction for Victoria Vistas is complete as of June 2022 with unsold inventory expected to be sold off in the next 12-18 months. Suncrest Estate is still under construction and has experienced high sales velocity due to low-ticket size of units. With both projects being at an intermediate stage in terms of construction and/or sales, SSCLLP remains exposed to execution and market risks.

Sensitive to external market factors - The company is also exposed to external factors such as the inherent cyclicity in the real estate industry and regulatory risks, which could have an impact on the cash inflows of the company. Additionally, the incremental leasing in the Group's commercial leasing portfolio will be dependent on the extent of recovery in demand for office space after the disruptions created by the Covid-19 pandemic. While the occupancy at the aggregate level has remained healthy for the Group, certain individual properties have seen decline in occupancy during the last two years.

Liquidity position: Adequate

The Group witnessed healthy rental collection efficiency from its existing tenants. Rental receipt is expected to reach over 1,300 crore in FY2023 and is expected to steadily improve in the coming years. Coupled with adequate inflows from the residential and contract segment, the cash from operations 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 potential in the existing commercial projects provide further liquidity support.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the Group is able to maintain steady growth in leasing and residential income and achieve faster-than-expected construction and leasing in the development portfolio.

Negative factors – Negative pressure on rating could arise in case there is any significant drop-in occupancy levels in completed leased portfolio and/or delay in leasing tie-ups in the ongoing and upcoming commercial projects, leading to increased leverage. Further, higher than anticipated outflows towards land investments/support to other related entities and/or debt funded capex would be key credit concern. Specific credit metrics that could lead to a downgrade of rating include Total debt to annualized rental income increasing above 7.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology- Real Estate entities Rating Methodology for Debt Backed by Lease Rentals
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 SPPL Hotels Private Limited, Darshita Aashiyana Private Limited, Dawntech Electronics Pvt Ltd and Simpliwork Offices Pvt Ltd, 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 landowners and with a co-developer – Signum Group. The projects being developed are Victoria Vistas (construction complete) 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.

Salarpuria Properties Private Limited (SPPL) is the flagship company of the Salarpuria Sattva Group which was incorporated 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 65.7 million square feet of development in the past 36 years of its existence. The Group is currently executing residential projects with saleable area of around 5.3 msf, mainly located across Bangalore and Hyderabad. The Group currently has a sizeable commercial real estate portfolio, generating annualised committed rental inflows of Rs. 1,127 crore as on March, 2022. The commercial properties of the Group which are located in prime locations in Bangalore and Hyderabad have witnessed high occupancy levels and house many reputed tenants such as like JPMC, Microsoft, Novartis, Google, State Street, among others.

Key financial indicators

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	1734.3	2018.0
PAT (Rs. crore)	380.5	423.5
OPBDIT/OI (%)	49.5%	50.5%
PAT/OI (%)	21.9%	21.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.4
Total Debt/OPBDIT (times)	6.9	6.3
Interest Coverage (times)	1.5	1.9

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company, ICRA research.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of December 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2020		Date & Rating in FY2019	
				28-June-2022	15-April-2021	07-Feb-2020	08-Jul-2019		
1 Fund based facilities	Long Term	60.00	25.74	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	Provisional [ICRA]A (CE) (Positive)		

Amount in Rs. Crore; NA-Not Applicable

Complexity level of the rated instrument - Simple

Instrument	Complexity Indicator
Long-term – Fund based - Term loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan 1	Feb-2020	-	Nov-2024	40.00	[ICRA]A+ (Stable)
NA	Term Loan 2	Feb-2020	-	Mar-2022	20.00	[ICRA]A+ (Stable)

Source: Company.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	Consolidation Approach
Devbhumi Realtors Pvt Ltd	Full Consolidation
Worldwide Realcon Private Limited	Full Consolidation
Darshita Infrastructure Pvt Ltd	Full Consolidation
Softzone Tech Park Limited	Full Consolidation
Salarpuria Properties Private Limited	Full Consolidation
Eden Buildcon Limited	Full Consolidation
Haraparvati Realtors Private Limited	Full Consolidation
Mindcomp Properties Pvt Ltd	Full Consolidation
Darshita Southern India Happy Homes Private Limited	Full Consolidation
Darshita Hi-Rise Private Limited	Full Consolidation
Greenage Grihanirman Private Limited	Full Consolidation
Sattva Developers Private Limited	Full Consolidation
Rajmata Realtors Private Limited	Full Consolidation
Poppy Realtors Private Limited	Full Consolidation
Debonair Realtors Pvt Ltd	Full Consolidation
Salarpuria Grihanirman Private Limited	Full Consolidation
Mindcomp Tech Park Pvt Ltd	Full Consolidation
Mascot Properties Private Limited	Full Consolidation
Ss Developers	Full Consolidation
Salarpuria Real Estate Private Limited	Full Consolidation
Satern Grihanirman Private Limited	Full Consolidation
Salarpuria Housing Private Limited	Full Consolidation
Salarpuria Developers Private Limited	Full Consolidation
Sattva Housing Private Limited	Full Consolidation
Coremind Software & Services Private Limited	Full Consolidation
Sppl Property Management& Smpl	Full Consolidation
Sattva Build-Con Pvt Ltd.,	Full Consolidation
Poorna Buildtech	Full Consolidation
Darshitha Edifice Llp	Full Consolidation
Sattva Real Estate Pvt Ltd	Full Consolidation
Rajlaxmi Grihanirman Private Limited	Full Consolidation
Harkeshwar Realtors Private Limited	Full Consolidation
Pluto Realtors Private Limited	Full Consolidation

Company Name	Consolidation Approach
Quadro Infotechnologies Private Limited	Full Consolidation
Bhojeshwar Realtors Private Limited	Full Consolidation
Moonlike Construction Private Limited	Full Consolidation
Siddeshwari Grihanirman Private Limited	Full Consolidation
Neelanchal Griha Nirman Private Limited	Full Consolidation
Salarpuria Builders Pvt Ltd	Full Consolidation
Neelanchal Projects Llp	Full Consolidation
Darshita Build Tech Private Ltd	Full Consolidation
Water Edge Builders Private Limited	Full Consolidation
Vedant Grihanirman Private Limited	Full Consolidation
Wellgrowth Grihanirman Private Limited	Full Consolidation
Monotype Griha Nirman Pvt Ltd	Full Consolidation
Neelanchal Lifestyle Housing Llp	Full Consolidation
Neelanchal Dwelling Llp	Full Consolidation
Darshita Projects Private Limited	Full Consolidation
Savitrimata Realtors Pvt Ltd	Full Consolidation
Chinnamasta Properties Private Limited	Full Consolidation
Neelanchal High Rise Llp	Full Consolidation
Sattva Infrastructure India Pvt. Ltd.	Full Consolidation
Sattva Realtors Pvt Ltd	Full Consolidation
Neelanchal Realtors Llp	Full Consolidation
Darshita Housing Private Limited	Full Consolidation
Jaganmayi Real Estate Private Limited	Full Consolidation
Mindcomp Residence Private Limited	Full Consolidation
Sattva Infra Management Private Limited	Full Consolidation
Salarpuria Signum Complex LLP	Full Consolidation
SPPL Hotels Pvt Ltd	Full Consolidation
Darshita Aashiyana Pvt Ltd	Full Consolidation
Dawntech Electronics Pvt Ltd	Full Consolidation
Simpliwork Offices Pvt Ltd	Full Consolidation

Source: Company.

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