

September 22, 2023

Devbhumi Realtors Pvt Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	2,475.00	2,475.00	[ICRA]A+ (Stable); reaffirmed
Total	2,475.00	2,475.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Salarpuria – Sattva Group ('the Group') factors in the healthy occupancy levels of operational office leasing portfolio, strong sales velocity, collections from the ongoing residential projects and resultant comfortable debt coverage metrics. The occupancy in the office leasing portfolio covering 15.4 million square feet (msf) of area stood at 91% as of March 2023 (compared to 92% as of March 2022 for 13.8 msf of leasable area) with annualised committed rental inflows of Rs. 1300-1350 crore for FY2024. The Group is estimated to complete ~4.5-5.0 msf commercial development during FY2024 (out of ~11 msf under-construction office portfolio) and the rental income is expected to steadily improve going forward with leasing of incremental area. The residential segment witnessed healthy sales and collections, increased by ~72% and ~37% in FY2023, respectively, which is expected to continue in FY2024. While the coverage metrics are expected to remain comfortable due to low debt repayments in the medium term, the leverage levels as measured by adjusted total debt¹/rentals is expected to remain moderate in the range of 6.5-7.5 times during FY2024-FY2025.

The rating draws comfort from the established position of the Group in the real estate market with track record of around four decades with over 70.5 msf of built-up area developed in both commercial and residential segments. Furthermore, comfort is also derived from continued strong financial flexibility of the Group, aided by strong rental income portfolio and availability of undrawn, sanctioned credit limits.

The rating, however, continues to be constrained by the Group's exposure to large expansion plans, and market risk arising from the ongoing and planned capital expenditure in the near-to-medium term. Timely tie-up of leases at adequate rentals for the under-construction office portfolio resulting in timely conversion of construction finance (CF) to lease rental discounting (LRD) loans will remain the key monitorable. The Group remains exposed to execution and market risks for the recently launched residential projects. Nevertheless, the Group's demonstrated track record of development and leasing of commercial real estate assets, healthy sales and collections from the residential portfolio provides comfort. The rating also notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels. The company is exposed to cyclicity associated with the real estate sector and vulnerability to external factors.

The Stable outlook reflects ICRA's expectation that the credit profile of the Group will remain supported by its established track record in the real-estate industry, healthy occupancy, reputed tenant base and healthy debt coverage metrics.

Key rating drivers and their description

Credit strengths

Established track record and brand recognition of the Group in real estate industry; strong financial flexibility - The Salarpuria-Sattva Group has an established position in the real estate market with a track record of around four decades with over 70.5 msf of built-up area developed in both commercial and residential segments. Further, comfort is derived from the

¹ Adjusted total Debt includes consolidated debt for Salarpuria Sattva group across all entities including guaranteed debt

continued strong financial flexibility of the Group, aided by strong rental income portfolio and availability of undrawn, sanctioned credit limits.

Healthy occupancy in the operational assets and strong tenant profile – The occupancy in the office leasing portfolio of 15.4 msf was healthy at 91% as of March 2023 (compared to 92% as of March 2022 for 13.8 msf of leasable area) with annualised committed rental inflows of Rs. 1300-1350 crore for FY2024. The Group is estimated to complete ~4.5-5.0 msf of commercial development during FY2024 (out of ~11 msf under-construction office portfolio) and the rental income is expected to steadily improve going forward with leasing of incremental area. The demand has been steady for most of the properties developed by the Group with a sustained strong tenant profile. The substantial investments in fit outs incurred by tenants and long-term lease tenures reduce the risk of vacancy to an extent. The tenant profile comprises reputed multi-national companies such as Google, JP Morgan Chase, Novartis, Goldman Sachs etc. among others.

Healthy performance of the residential segment - The residential segment witnessed healthy sales and collections, increased by ~72% and ~37% in FY2023, respectively, which is expected to continue in FY2024. The cash flow adequacy ratio (receivables/ (pending cost + debt outstanding)) remained healthy at 64% as of March 2023. Further, low debt levels in the segment provides comfort.

Credit challenges

Exposure to execution and market risk – The Group’s exposure to large expansion plans, and market risk arising from the ongoing and planned capital expenditure in the near-to-medium term. Timely tie-up of leases at adequate rentals for the under-construction office portfolio resulting in timely conversion of construction finance to LRD loans will remain key monitorable. The Group also remains exposed to execution and market risks for the recently launched residential projects. Nevertheless, the Group’s demonstrated track record of development and leasing of commercial real estate assets, healthy sales and collections from the residential portfolio provides comfort.

Vulnerable to cyclical and changes in interest rates - The Group remains exposed to the inherent cyclical in the real estate industry and vulnerability to external factors. Nonetheless, ICRA takes comfort from the high occupancy in the Group’s commercial asset portfolio. The rating notes the vulnerability of debt coverage ratios to factors such as changes in interest rate or reduction in occupancy levels.

Liquidity position: Adequate

The company has adequate liquidity with ~Rs. 220 crore of cash and cash equivalents as of March 2023. The rental receipts are likely to be around Rs. 1,300-1350 crore in FY2024 and is estimated to steadily improve going forward. This along with healthy collections from the residential are expected to be sufficient to meet all the operational and debt servicing requirements of the Group. Further, presence of undrawn LRD debt and available LRD top-up potential in the existing commercial projects provides further liquidity support.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the Group is able to sustain healthy increase in rentals from the leasing segment and collections from the residential segment along with adequate leasing of the ongoing commercial projects resulting in significant improvement in debt protection metrics and liquidity position on a sustained basis. Specific credit metrics that could lead to upgrade of rating include adjusted total debt to annualized rental income below 5.5 times on a sustained basis.

Negative factors – Negative pressure on the rating could arise in case there is any material decline in occupancy levels in completed office portfolio and/or delay in leasing tie-ups in the ongoing commercial projects and/or significant decline in collections in residential segment or significant increase in indebtedness impacting the leverage and coverage metrics of the Group on a sustained basis. Further, significant outflows towards land investments/support to other related entities adversely impacting the liquidity position will be credit negative. Specific credit metrics that could lead to a downgrade of rating include adjusted total debt to annualized rental income increasing above 7.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities Rating Methodology for Debt Backed by Lease Rentals
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has taken consolidated view of companies of the Salarpuria-Sattva Group, based on the strong operational and financial linkages between the group entities, their common management group and cash flow fungibility. 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. The list of entities considered for consolidated analysis are enlisted in annexure II.

About the company

The Salarpuria-Sattva group was founded by the late Mr G D Salarpuria in 1986 in Kolkata. At present, the Group is managed by Mr. Bijay Kumar Agarwal its Managing Director of the Group. It is one of the leading real estate developers in the Bangalore real estate market and has completed more than 70.5 msf developable area in the past 37 years of its existence. The Group is currently executing residential projects with saleable area of around 6.0 msf mainly located across Bangalore and Hyderabad. The commercial properties of the Group which are located in prime locations in Bangalore and Hyderabad have witnessed healthy occupancy levels and reputed tenant profile.

Key financial indicators (audited)

Consolidated*	FY2021	FY2022
Operating income (in Rs. crore)	2,061.1	2,123.4
PAT (in Rs. crore)	407.9	585.1
OPBDIT/OI (%)	50.2%	50.6%
PAT/OI (%)	19.8%	27.6%
Total outside liabilities/Tangible net worth (times)	1.5	1.5
Total debt/OPBDIT (times)	6.3	7.3
Interest coverage (times)	1.8	1.9

Source: Company, ICRA Research; *consolidated numbers of 66 group entities of Salarpuria Sattva Group

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Sep 22, 2023	Jun 28, 2022	Apr 15, 2021	-
1 Term loans	Long term	2,475.00	1,917.0	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	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 analysing 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	LRD	Sep 2015	NA	Oct 2030	188.0	[ICRA]A+ (Stable)
NA	LRD	Sep 2015	NA	Oct 2030	124.0	[ICRA]A+ (Stable)
NA	LRD	July 2017	NA	July 2029	494.0	[ICRA]A+ (Stable)
NA	LRD	July 2017	NA	July 2029	110.0	[ICRA]A+ (Stable)
NA	LRD	July 2017	NA	July 2029	224.0	[ICRA]A+ (Stable)
NA	LRD	Oct 2019	NA	Oct 2033	835.0	[ICRA]A+ (Stable)
NA	LRD	Oct 2019	NA	Oct 2033	500.0	[ICRA]A+ (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Salarpuria Properties Private Limited	100%	Full Consolidation
Sattva Developers Private Limited	100%	Full Consolidation
Devbhumi Realtors Pvt Ltd	50%	Full Consolidation
Debonair Realtors Pvt Ltd	100%	Full Consolidation
Sattva Real Estate Pvt Ltd	100%	Full Consolidation
Darshita Infrastructure Pvt Ltd	50%	Full Consolidation
Softzone Tech Park Limited	100%	Full Consolidation
Darshita Hi-Rise Private Limited	100%	Full Consolidation
Salarpuria Grihanirman Private Limited	100%	Full Consolidation
Mindcomp Tech Park Pvt Ltd (Formerly: Krishil Tech Park Pvt Ltd.,)	100%	Full Consolidation
Mascot Properties Private Limited	100%	Full Consolidation
Darshitha Edifice LLP	100%	Full Consolidation
Sattva Housing Private Limited	100%	Full Consolidation
Rajlaxmi Grihanirman Private Limited	100%	Full Consolidation
Salarpuria Developers Private Limited	100%	Full Consolidation
Haraparvati Realtors Private Limited	50%	Full Consolidation
Harkeshwar Realtors Private Limited	100%	Full Consolidation
Rajmata Realtors Private Limited	100%	Full Consolidation
Neelanchal Projects LLP	100%	Full Consolidation
Mindcomp Properties Pvt Ltd	100%	Full Consolidation
Quadro Infotechnologies Private Limited	100%	Full Consolidation
Satern Grihanirman Private Limited	50%	Full Consolidation
Monotype Griha Nirman Pvt Ltd	50%	Full Consolidation
Visharada Grihanirman Private Limited	100%	Full Consolidation
Worldwide Realcon Private Limited	50%	Full Consolidation
Darshita Southern India Happy Homes Private Limited	60%	Full Consolidation
Salarpuria Builders Pvt Ltd	100%	Full Consolidation
Siddeshwari Grihanirman Private Limited	100%	Full Consolidation
Darshita Housing Private Limited	100%	Full Consolidation
Jaganmayi Real Estate Private Limited	100%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Suparna Realtors Private Limited	100%	Full Consolidation
Jananya Realtors Private Limited	100%	Full Consolidation
Jaganmayi Manor Private Limited	100%	Full Consolidation
Moonlike Construction Private Limited	50%	Full Consolidation
Poppy Realtors Private Limited	100%	Full Consolidation
Greenage Grihanirman Private Limited	100%	Full Consolidation
Bhojeshwar Realtors Private Limited	100%	Full Consolidation
Salarpuria Housing Private Limited	100%	Full Consolidation
Poorna Buildtech	100%	Full Consolidation
Neelanchal Dwelling LLP	100%	Full Consolidation
S.S. Developers	100%	Full Consolidation
NDS Properties LLP	100%	Full Consolidation
Trinayani Realtors Private Limited	100%	Full Consolidation
Salarpuria Real Estate Private Limited	100%	Full Consolidation
Chinnamasta Properties Private Limited	100%	Full Consolidation
Sattva Infrastructure India Pvt. Ltd.	100%	Full Consolidation
Sattva Build-Con Pvt Ltd.,	100%	Full Consolidation
Neelanchal Realtors LLP	100%	Full Consolidation
Eden Buildcon Limited	100%	Full Consolidation
Sppl Property Management & Smpl	100%	Full Consolidation
Sattva Properties Management Pvt. Ltd.(Mindcomp Residence Private Limited)	100%	Full Consolidation
Neelanchal Griha Nirman Private Limited	100%	Full Consolidation
Sattva Infra Management Private Limited (Mindcomp Buildpro Private Limited)	100%	Full Consolidation
Neelanchal High Rise LLP	100%	Full Consolidation
Water Edge Builders Private Limited (Sattva Builders Private Limited)	100%	Full Consolidation
Sattva Realtors Pvt Ltd	100%	Full Consolidation
Coremind Software & Services Private Limited	100%	Full Consolidation
Neelanchal Lifestyle Housing LLP	100%	Full Consolidation
Darshita Projects Private Limited	100%	Full Consolidation
Darshita Build Tech Private Ltd	100%	Full Consolidation
Savitrimata Realtors Pvt Ltd	100%	Full Consolidation
Wellgrowth Grihanirman Private Limited	100%	Full Consolidation
Moonlight Niketan Pvt Ltd	100%	Full Consolidation
Sattva Homes Private Limited	100%	Full Consolidation
Shirasa Edifice Pvt Ltd	100%	Full Consolidation
Salarpuria Signum Complex LLP	60%	Full Consolidation
Darshita Aashiyana Private Limited	100%	Full Consolidation
Dawntech Electronics Pvt Ltd	100%	Full Consolidation
Simpliwork Offices Pvt Ltd	55%	Full Consolidation
SPPL Hotels Private Limited	50%	Full Consolidation

Source: Company, ICRA Research

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