May 31, 2024

Divyasree Infrastructure Developers Private Limited: 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	120.00	120.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Non-fund based – Bank guarantee	8.00	8.00	[ICRA]BBB+ (Stable); reaffirmed
Total	**128.00**	**128.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Divyasree Infrastructure Developers Private Limited (DIDPL) factors in the strong occupancy of 100% in its asset 'Divyasree Point', located in Sholinganallur, Chennai, and the long-term lease signed with Accenture and its group company for the entire leasable area. The rating also considers the favourable location of the property, and the competitive rental rates that reduces the vacancy risk to an extent. DIDPL's leverage as measured by total external debt to net operating income (debt/NOI) is estimated to be adequate around 6.6 times as on March 2024. The rating draws comfort from the established track record of the Divyasree Group in the development and management of commercial real estate assets.

The rating, however, continues to be constrained by the single asset as well as single tenant concentration risk, and the consequent exposure to market risk in case of any vacancy or non-renewal of leases. Nonetheless, these risks are partially offset by the asset's competitive rental rates, reputed profile of the tenant and the investments made by the tenant towards fit outs. DIDPL's debt coverage metrics are moderate and remains vulnerable to any changes in interest rates and occupancy levels. ICRA notes that DIDPL has made investments and given loans and advances of around Rs. 241 crore to group/associate companies and others as on March 2024 and any material outflows towards investments/loans and advances adversely impacting its liquidity position will be a key monitorable.

The Stable outlook on the long-term ratings reflects ICRA's expectation that the company will continue to benefit from favourable location of property, sustain strong occupancy levels and adequate leverage metrics.

Key rating drivers and their description

Credit strengths

Healthy occupancy levels and favourable location of the property – DIDPL is operating a commercial project namely Divyasree Point, with company's share of leasable area of 0.36 million square feet (msf). The project remains 100% occupied as on March 2024. Long term lease is signed with Accenture (and its group company) occupying the entire leasable area. The competitive rental rate reduces the vacancy risk to an extent. Furthermore, the project is favourably located in Sholinganallur, Chennai, which is an established location for commercial office space.

Adequate leverage – The total external debt stood at Rs. 156.9 crore as on March 2024 (PY: Rs. 162.7 crore). With the improvement in NOI and reduction in debt levels due to scheduled principal repayments, the leverage as measured by debt/NOI stands adequate at ~6.6 times as of March 2024 (PY: 7.2 times).

Established track record of promoters – The Divyasree Group has an established track record of over three decades in development and management of commercial office space measuring over 19 million sq. ft. (msf) with assets spread across Bangalore, Hyderabad, and Chennai. In the residential segment, the company has completed over 5 million sq. ft. projects spread across Bangalore, Hyderabad, and Chennai.

Credit challenges

Single asset concentration risk and single tenant concentration risk – The company's dependence on a single asset as well as single tenant concentration risk, and the consequent exposure to market risk in case of any vacancy or non-renewal of leases. Nonetheless, these risks are partially offset by the asset's competitive rental rates, reputed profile of the tenant and the investments made by the tenant towards fit outs.

Moderate debt coverage metrics – The debt coverage metrics of DIDPL are moderate and remain vulnerable to any changes in interest rates and occupancy levels.

Liquidity position: Adequate

The company's liquidity position is adequate with free cash and cash equivalents of ~Rs. 12.5 crore as of March 2024. The company has debt repayment obligations of ~Rs. 21 crore in FY2025, which can be adequately serviced from the cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade DIDPL's rating if the company demonstrates a sustained reduction in leverage levels and improvement in debt coverage metrics. Specific credit metrics include 5-year average DSCR greater than 1.3 times on a sustained basis.

Negative factors – Negative pressure on DIDPL's rating could arise if there is any material decline in occupancy or increase in indebtedness resulting in weakening of debt protection metrics on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

DIDPL was incorporated in 2004 to undertake real estate development. The company currently has a commercial development in a project called Divyasree Point in Sholinganallur, Chennai. It has a total leasable area of 0.65 msf, out of which Divyasree has a share of 0.36 msf. The said property is 100% leased out to Accenture and its group company, Zenta Mortgage Services LLC.

The company is a part of Divyasree Developers, which has completed over 19.0 msf of commercial office space as of March 2024, across Bengaluru, Hyderabad, and Chennai. The Group also has presence in residential real estate development.

Key financial indicators

Standalone	FY2022 Audited	FY2023 Audited
Operating income (OI)	31.4	35.7
PAT	-0.9	-0.4
OPBDIT/OI	66.8%	59.3%
PAT/OI	-2.8%	-1.1%
Total outside liabilities/Tangible net worth (times)	39.0	42.9
Total debt/OPBDIT (times)	20.4	21.2
Interest coverage (times)	0.7	0.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; 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

Sl. No.	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					May 31, 2024	-	Mar 13, 2023	Feb 25, 2022
1	Fund based -Term loan	Long term	120.00	156.9	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
2	Non-fund based – Bank guarantee	Long term	8.00	-	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – fund-based – Term loan	Simple
Long-term – non-fund based – Bank guarantee	Very 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	**Term loan**	April 2021	NA	March 2036	120.00	[ICRA]BBB+ (Stable)
NA	**Bank guarantee**	-	-	-	8.00	[ICRA]BBB+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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