Hippostores Technology Private Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	225.00	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	85.00	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings to bank loan facilities of Hippostores Technology Private Limited (Hippo) continue to reflect the benefits derived from being part of the resourceful Dalmia Bharat group and their significant funding support towards establishing building construction material stores and funding initial losses expected over the medium-to-long term. The company has a wide range of product offerings in building construction material available in its stores under a relatively new concept in India.

These strengths are offset by limited track record of operations and its capital-intensity considering significant growth plans with long gestation period for each store and high competition intensity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Healthy growth in scale of operations while achieving profitability.

Negative factors

- More-than-envisaged operational losses.
- Any change in funding support stance from Dalmia Bharat group entities.
- Any dilution in the shareholding by the Dalmia group below 50.01%.

Analytical approach: Standalone. However, ratings factor in the strong linkages with the Dalmia Bharat Group as demonstrated by significant funding support through Dalmia Bharat group of entities through investments/loans/corporate guarantee to secure term loans.

Outlook: Stable

The 'Stable' outlook reflects that Hippo will continue to derive benefit from financial flexibility of its strong promoter group over the medium-to-long term, as the company opens new stores targeting significant growth in scale of operations albeit at operating losses as the business model matures with increasing customers acceptability.

Detailed description of key rating drivers:

Key strengths

Resourceful promoter group and their support towards establishing stores and fund initial losses

Hippo belongs to the Dalmia Bharat Group. The key companies of the group are established players in cement and sugar manufacturing in India. Hippo is a new initiative of the large conglomerate. The company is engaged in retail trading business of building construction materials. Hippo stores offer all kinds of building construction material, and home improvement solutions and services, among others, under one roof.

Funding support is critical considering Hippostores is at nascent stage and is eyeing significant growth in scale of operations through store growth leading to capital expenditure over the medium-to-long term. Currently, the company has six stores across National Capital Region, Chandigarh, and Lucknow. The company is still reeling under operating losses, majorly, considering operational losses in few stores and significant expenditure at corporate office level.

The promoter group has infused funds in the form of optionally convertible debentures (subscribed by Dalmia Bharat Refractories Limited, DBRL), which stood at ₹325 crore as on December 31, 2024, apart from equity share capital. DBRL has board resolution to invest amount not exceeding ₹500 crore in over one tranches, till March/April 2026, in Hippo in the form of investment in equity share capital/compulsorily convertible/optionally convertible debentures or any other security instrument. The company's term loan facilities amounting to ₹225 crore have been guaranteed by Samagama (holds 44.32% stake in Dalmia Bharat Sugar and Industries Limited).

Wide range of product offerings under building construction material segment

Hippo stores current offerings are under eight broad categories of products namely Electrical & Lighting, Hardware Kitchen & Tools, Sanitary & Bath fittings, Paints & Surface care, Tiles & Flooring, Structural Material, Wood Material and Home & Kitchen. The company has fairly diversified revenue generation from different product categories. Among the major revenue generating product verticals are Hardware, Kitchen And Tools (HKT), Home and Kitchen (HNK), Tiles and Flooring (TFL), Electrical and

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Lighting (ELT) and Sanitary ware and Bath Fittings (SBF) contributing 19% (32%), 17% (16%), 11% (16%), 8% (7%) and 8% (8%), respectively, to the revenue in FY24 (9MFY25). The company has changed its strategy and started focusing more on retail customers rather than resellers, contractors and institutional customers from FY24 onwards. This also resulted in lower share of revenue from structural materials.

Key weaknesses

Limited track record of operations

Hippo was incorporated in September 2021, while its first store in Mayapuri, Delhi, was operationalised in June 2021. Since then the company has increased its store count to 6. This is after closing its Mayapuri outlet in May 2024. Over the recent past, the company has also changed its strategy towards store format. Hippo is now banking more on smaller store formats with 8,000-10,000 sf space rather than larger store formats i.e. Mayapuri store which was ~32,000 sf in size. Four stores were opened in FY25, all smaller format stores, with an eye towards faster road to profitability at store level by effective customer targeting through location and product verticals. Apart from this, the company continues to operate larger format stores in Noida and Chandigarh. The company has reduced its focus on B2B customers, including resellers, contractors, and institutional customers. This realignment has led to de-growth in revenue over the past two fiscal years, TOI reducing from ₹278 crore in FY23 to ₹231 crore in FY24 and estimated ₹210-220 crore in FY25. Such store concepts are relatively new for Indian markets and thus evolving its operations with the characteristics of the India's market. The rejig in business strategy highlights the company's efforts to find ways to ramp up its scale of operations with faster breakeven at store level.

Significant capital requirement with long gestation period

The company currently has six stores, four in National Capital Region, and one each in Chandigarh and Lucknow. The management has plans to quickly scale up its operations by opening six new stores in FY26 itself. Each larger format store requires tentatively ~₹10 crore of capital expenditure, whereas smaller format stores require ₹2.5 crore - ₹3 crore of capex. Over the long term, the company has plans to open stores across regions of India. Hence, the company will require capital investment. Every new store may require six months -2 years to become self-sustaining depending on size of the store, geography, etc. The larger format stores are still operating at losses, while smaller format stores (Greater Noida, Noida Extension, and Gurgaon) have achieved break even at store level despite being relatively new. However, the scale of operations of smaller format stores is small.

Competition intensity

The retail trading of business construction material is largely crowded by traders, dealers, and mom-and-pop stores run locally. Few large-scale players have started entering this market, however, Hippo is the first large player to enter National Capital Region market to provide home improvement solutions, services, and products under one roof, thus providing first movers' advantage. However, limited value addition and large number of players, specifically unorganised, leads to higher competitive intensity and limited bargaining power with the customers.

Liquidity: Adequate

Liquidity is marked adequate considering expectations of continuous funding support from the Dalmia group. The company is expected to operate at losses over the next three to four fiscal years with incremental capex and working capital requirements as the company expand its stores across cities. The company has repaid NCDs as scheduled and received funding support in the form of OCDs from promoter group entity. OCDs from DBRL as on December 31, 2024 was ₹325 crore. Going forward, the promoter entity is expected to invest in the ratio of debt/contributed equity (in the form of equity, debenture or other security instrument) of 3:1 for the incremental stores, losses, capex and working capital requirements. For the rest, the company will be arranging bank debt.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Retail
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Diversified consumer products

Incorporated in September 2021, Hippo is a Dalmia group company under which Hippo Stores are operated. The company is engaged in retail trading business of building construction materials. Hippo Stores offers all kind of building construction material, home improvement solutions, and services under one roof.

The first Hippo Store was launched at Mayapuri, New Delhi (now closed), by DCBL. The business was hived off as a separate unit on January 1, 2022. However, it is still a part of the Dalmia Bharat Group. Hippo Stores Technology Ltd was incorporated under Samagama Holdings and Commercial Pvt Ltd to take over 100% stake from Dalmia (Bharat) Ltd and later on transferred to "Hippostores Platforms Private Limited", a company which was incorporated on August 3, 2022 by the Dalmia group. The company currently has stores in Noida (NCR), Greater Noida (NCR), Noida Extension (NCR), Gurgaon (NCR), Zirakpur (Chandigarh), and Lucknow (Uttar Pradesh).

Hippo Stores is a new initiative of large conglomerate, Dalmia Bharat group. Currently, Hippo stores' offerings are under eight broad categories of products namely Structural Material, Electrical & Lighting, Hardware Kitchen & Tools, Sanitary & Bath fittings, Paints & Surface care, Tiles & Flooring, Wood Material, and Home & Kitchen.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25
Total operating income	278	231	161
PBILDT	-118	-120	-83
PAT	-148	-154	-
Overall gearing (times)	-1.38	-1.28	-
Interest coverage (times)	-8.37	-5.87	-4.17

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-12-2029	225.00	CARE BBB; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	25.00	CARE BBB; Stable / CARE A3+
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	60.00	CARE BBB; Stable / CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	225.00	CARE BBB; Stable	1)CARE BBB; Stable (05-Apr-24)	-	-	-
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	60.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (05-Apr-24)	-	-	-
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	25.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (05-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated: Not applicable

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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