

Press Release

Shapoorji Pallonji Infrastructure Capital Company Pvt Ltd. (SPICCPPL)

March 31, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Facilities (Fund Based)	900.00	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)
2	Short Term Facilities (Fund Based)	135.00	IVR A2+ (IVR A Two Plus)
3	Long / Short Term Facilities (Non-Fund Based)	1465.00	IVR A-/ Stable (IVR Single A Minus with Stable Outlook) & IVR A2+ (IVR A Two Plus)
	Total	2500.00	

Details of facilities are in Annexure 1

Rating Rationale

The assigned rating derives strength from - Company being part of SP group, a diversified conglomerate that has successfully established a strong legacy over the years and qualified promoters and management team having extensive experience in infrastructure industry. The rating however is constrained by most projects being under construction stage, high equity commitments towards these projects coupled with significant debt levels and the support extended to subsidiaries; however they being customary in nature.

Key Rating Sensitivities

- **Upward Factors** – Improved financial profile driven by timely execution of targeted divestment plans to fulfil all the equity commitments in subsidiaries and associate companies would call for positive rating action for the company
- **Downward Factors** – Any deterioration in financial profile at the parent level and/or delay in planned divestments which would impact meeting the equity commitments of the company would call for a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong Group Legacy

SP Group is a large diversified conglomerate that has successfully established a strong brand value in the country. Shapoorji Pallonji and Company Pvt Ltd. (SPCPL) is the flagship company of SP Group. The fact that SPCPL has regularly supported its group companies by backing their debt obligations and arranging for their funding requirements from time to time provides comfort to the subsidiary companies.

Qualified Management Team

SPICCPPL is a holding company for infrastructure arm of SP group. It is led by highly qualified promoters having extensive industry experience and are also supported by a well-qualified management team. The management has the required experience in all the different verticals in which the company operates.

Key Rating Weaknesses

Most projects being under construction stage

It may be noted that most projects of SPICCPPL are under construction stage. This acts as a constraint on the generation of cash flows. Any prolonging of the construction stage can increase the stress on overall liquidity and debt coverage parameters.

High equity commitments coupled with significant debt on books

SPICCPPL has high equity commitments for its on-going projects for the next three years. The company is planning to fund the same with its internal accruals and divestments of projects. The capital structure of SPICCPPL being already leveraged, a lot depends on group's plans to monetize its assets and infuse equity from the proceeds, timely execution of which remains crucial for the group.

Support extended to subsidiaries; however they being customary in nature

Being a holding company for the infrastructure arm of SP Group, SPICCPPL has the onus to meet the equity requirements of all its subsidiary and associate companies. The corporate guarantees extended by SPICCPPL to its subsidiaries and associate companies stood at around Rs. ~2100crore as on March 31, 2019, however these are customary in nature.

Analytical Approach & Applicable Criteria:

- Consolidated
- Rating methodology for Construction/ Infrastructure companies
- Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Stretched

SPICCPL being, a holding company for all the Infrastructure projects of SP Group, has the onus of meeting funding requirements of all its subsidiaries and associate companies by committing equity investments and providing guarantees/ comfort to their debts. SPICCPL has historically maintained its liquidity profile by holding good amount of cash and bank balances as a cushion against any contingencies. The overall liquidity position of the company appears to be stretched. However, asset monetisation plan that the company has envisaged, if it goes as per the targeted timelines would ease the liquidity stress.

About the company

Established in 1997, Shapoorji Pallonji Infrastructure Capital Company Pvt Ltd. (SPICCPL) is a holding company for the infrastructure business of SP Group. It is a wholly-owned subsidiary of Shapoorji Pallonji and Company Pvt Ltd (SPCPL) and acts as a vehicle for Infrastructure asset ownership for the group. The company is in the business of acquiring, developing and maintaining infrastructure assets like ports, solar plants, roads and gas based power plant.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Income	1239.62	428.53
Total Operating Income	1185.62	224.93
Reported EBIDTA	154.82	185.13
Adjusted EBITDA**	100.83	-18.48
PAT	43.47	25.22
Total Debt	742.27	1195.53
Tangible Net worth	804.74	810.59
Adjusted EBIDTA Margin (%)	8.50	Negative
PAT Margin (%)	3.51	5.88
Overall Gearing ratio (x)	0.92	1.47

* Classification as per Infomerics' standards

** Excludes gains from sale of investments

Any other information: N.A

No Cooperation status with previous CRA: NIL

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term	900.00	IVR A- /Stable Outlook	--	--	--
Fund Based Facilities	Short Term	135.00	IVR A2+	--	--	--
Non Fund Based Facilities	Long/Short Term	1465.00	IVR A- /Stable Outlook & IVR A2+	--	--	--
	Total	2500.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based	--	--	--	900.00	IVR A-/Stable Outlook
2	Short Term Fund Based	--	--	--	135.00	IVR A2+
3	Long/Short Term Non Fund Based	--	--	--	1465.00	IVR A-/Stable Outlook & IVR A2+
Total					2500.00	

Annexure 2: List of Subsidiaries and Associates considered for consolidated analysis

Sr. no	Indian Subsidiaries
1	Arina Solar Pvt Ltd
2	Aurinko Energy Pvt Ltd
3	Balgad Power Company Pvt Ltd
4	Hermes Commerce Pvt Ltd
5	Nursery Projects & Agri Development Pvt Ltd
6	Radiance Solar Pvt Ltd
7	Samalpatti Power Company Pvt Ltd
8	ShapoorjiPallonji Cement (Gujarat) Pvt Ltd
9	ShapoorjiPallonji Energy (Gujarat) Pvt Ltd
10	ShapoorjiPallonji Infrastructure (Gujarat) Pvt Ltd
11	ShapoorjiPallonjiPandohTakoli Highway Pvt Ltd
12	ShapoorjiPallonji Roads Pvt Ltd
13	ShapoorjiPallonji Solar Holdings Pvt Ltd
14	ShapoorjiPallonji Solar PV Pvt Ltd
15	Simar Port Pvt Ltd
16	Solar Edge Power & Energy Pvt Ltd
17	SP Jammu Udhampur Highway Ltd
18	SP Sports Pvt Ltd
19	Suryoday One Energy Pvt Ltd
20	TN Solar Power Energy Pvt Ltd
21	Universal Mine Developers & Service Providers Pvt Ltd
22	Rihand Floating Solar Pvt Ltd
23	Haul Power Pvt Ltd
24	ShapoorjiPallonjiSaurpower Pvt Ltd
25	ShapoorjiPallonjiSuryaprakash Pvt Ltd
26	Egni Generation Pvt Ltd
27	Eloise Energy Pvt Ltd
28	Elaine Renewable Energy Pvt Ltd
29	Atnu Solar Pvt Ltd
Foreign Subsidiaries	
1	Bisho Infra Projects Ltd
2	Dynamic Sun Energy Pvt Ltd
3	Fine Energy Solar (Pvt) Ltd
4	Global Bulk Minerals FZE
5	Global Energy (SL) Ltd
6	Global Energy Projects Holding
7	Global Energy Ventures Mauritius
8	Global Infra FZCO
9	Global Resource & Logistics Pte Ltd
10	Global Solar Energy Holdings

11	Musandam Rock LLC
12	NutanBidyut (Bangladesh) ltd
13	SP Energy (Egypt) S A E
14	Sun Energy One (Pvt) Ltd
15	Sunrays Power One (Pvt) Ltd
16	Sunrise Energy (Pvt) Ltd
17	Sunshine Energy Kenya Ltd
18	Surya Power one (Pvt) Ltd
19	Surya Prakash VietNam Energy Company Ltd
20	SPI NowaEnergiasp z o o
21	PT Nusantara Global Resources
22	Global Resource & Logistics Mozambique
23	National Power Generation Company (Pvt) Ltd
Associate Companies	
1	Gokak Power & Energy Ltd
2	Renaissance Commerce Pvt Ltd
JVs (Indian)	
1	BNV Gujarat Rail Pvt Ltd
2	HPCL Shapoorji Energy Ltd
3	ShapoorjiPallonji& OEG Services Pvt Ltd
4	West Coast Liquid Terminal Pvt Ltd
JVs (Foreign)	
1	Karnal Power Ltd