



Press Release

Simon India Limited

May 30, 2020

Rating

Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities	100.00	IVR BBB- (CE)* /Stable Outlook [IVR Triple B Minus (Credit Enhancement) with Stable Outlook]	Assigned
Total	100.00		

*Based on unconditional and irrevocable corporate guarantee from Zuari Global Limited

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Simon India Limited (SIL) derives comfort from its experienced promoters and unconditional & irrevocable corporate guarantee from Zuari Global Limited (ZGL). This corporate guarantee results in credit enhancement in the rating of the said bank facilities to **IVR BBB- (CE)/Stable Outlook (IVR Triple B Minus [Credit Enhancement] with Stable Outlook)** against the unsupported rating of **IVR BB+/Stable (IVR Double B Plus with Stable Outlook)**. Further, the ratings also derive strength from its association with reputed clientele, being the entity under the umbrella of Adventz group and strong order book position reflecting near term revenue visibility. However, these rating strengths are constrained due to susceptibility of operating margin to volatile input prices, highly fragmented & competitive nature of construction sector with significant price war and reputed clientele albeit customer concentration.

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operations with improvement in profitability on a sustained basis
- Sustenance of the capital structure
- Manage working capital requirements efficiently with improvement in liquidity position



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Downward factor:

- Any deterioration in debt protection metrics and/or liquidity profile of the company and/or the guarantor

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Being an entity under the umbrella of Adventz Group**

SIL is a part of the Adventz group led by Mr Saroj Kumar Poddar, comprising of around 23 companies in various industry verticals like agribusiness, engineering & infrastructure, emerging lifestyles and services. The group provides engineering and technical consultancy, project management and contracting services to chemical, fertilizer, oil & gas, petrochemical, power and other infrastructure projects. The group also has a strong presence in the fertilizer and associated chemicals industry with Zuari Agro Chemicals Limited being one of the leading players in the Indian fertilizer industry. The group has also ventured into real estate in the affordable homes and office segment. Its landmark residential-cum-commercial project located near Mysore is nearing completion coupled with projects in Dubai and a residential project in Goa. The bank facility of Simon India Limited is backed by unconditional and irrevocable corporate guarantee provided by its parent company; ZGL.

- **Experienced management along with engagement of experienced technical personnel**

SIL's management has a long and established track record of working in the corporate as well as project management segment for the fertiliser and chemical sector. As a result, the company has a sizeable and technically competent workforce enabling it to undertake various engineering projects.

- **Reputed clientele**

SIL bids for tenders floated by various government departments/entities and caters to private players as well. Moreover, the company also works as a sub-contractor for other contractors. The Company has delivered projects for reputed names including but not limited to Adani, ONGC, Paradeep Phosphates Limited, Dalmia Cement, Hindustan Petroleum Corporation Limited, Hindustan Zinc Limited, Chambal Fertilizers & Chemicals Limited, DCM Shriram Consolidated Limited, Durgapur Chemicals Limited, Addar Chemical Company, Synthesis



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Energy Systems, etc. Over the years of its operations the company has established a strong business relationship with various government departments as well as private clients both on domestic and international level.

- **Strong order book position reflecting satisfactory medium-term revenue visibility**

The company has a strong unexecuted order book of Rs.191.14 crore as on March 15, 2020. The orders are expected to be completed within next one-two years, indicating a satisfactory near to medium term revenue visibility.

- **Growing scale of operations coupled with Comfortable capital structure**

With no long-term debt obligations from the outside parties the overall gearing of the company stood comfortable at 0.21x as on March 31, 2019. Also, total indebtedness of the company as reflected by TOL/adj.TNW remained comfortable at 3.91x as on March 31, 2019.

Key Rating Weaknesses

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labor (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labor (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labor (including sub-contracting) cost.

- **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.



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- **Reputed clientele albeit customer concentration**

The company mainly offers technology, basic engineering, detailed engineering, project management, procurement and construction services as well as execution of projects on a lumpsum turnkey basis. It operates in a number of sectors, primarily fertilizers, petrochemicals, oil & gas, etc. Its clientele includes Paradeep Phosphates Limited (PPL), EGIL (JV of ECOPHOS & GNFC), Saudi Basic Industries Corporation (SABIC), OCL-Orissa & GSFC Vadodara. However, top five customers cater to more than 95% of its total operating income in FY19, indicating a concentrated customer profile. Though customers being reputed companies impart comfort with low counterparty risk

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of ZGL, provider of corporate guarantee to SIL

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Rating Methodology for Structure Debt Transaction (Non-Securitisation Transaction)

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Adequate liquidity characterized by no near term debt repayment obligations as the company does not utilize any fund based facility and has only non-fund based limits availed as performance bank guarantees and the same is backed by corporate guarantee of ZGL. Its capex requirements are modular and expected to be funded through internal accruals and unsecured loans. The liquidity position of the company is supported by its above unity current ratio.

About the Company

Simon India Ltd (SIL) began operations as a 50:50 JV company between Zuari Industries Ltd (ZIL) and Simon Carves of UK in the year 1995 with a view to provide EPC and project



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management services to process industries. Simon Carves sold its shareholding to ZIL in the year 2003 and since then, SIL has been a 100% owned subsidiary of ZIL until its demerger, when the shareholding got transferred to Zuari Global Limited (ZGL).

SIL offers technology, basic engineering, detailed engineering, project management, procurement and construction services as well as execution of projects on a lump sum turnkey basis. It operates in a number of sectors, primarily fertilizers, petrochemicals, oil & gas, etc. SIL has executed projects for reputed customers such as Saudi Basic Industries Corporation (SABIC), Indian Farmers' Fertilisers Cooperative (IFFCO), Waterleau, KLJ Group, Hindustan Zinc, etc.) in the fertilizers and chemicals segment.

Financials: Standalone (Simon India Limited)

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	251.68	84.03
EBITDA	-15.77	-28.01
PAT	-7.00	-19.03
Tangible Net worth	83.15	78.35
^Adjusted Net Worth	35.43	78.35
EBITDA Margin (%)	-6.27	-33.33
PAT Margin (%)	-2.69	-20.73
Overall Gearing Ratio (x)	0.21	0.68

*As per Infomerics Standards ^ Exposure to Subsidiaries Associates, JVs, loans given to other companies have been deducted

Status of non-cooperation with previous CRA: NIL

Any other information: Nil

About the Guarantor:

Zuari Global Ltd (ZGL), erstwhile Zuari Industries Limited, is a Public limited company incorporated under the Companies Act, 1956 and is the holding company of Well Established and Diversified Adventz Group. ZGL in its capacity as holding company has a large portfolio of subsidiaries and associates and predominantly concentrates on investment in the group companies & is engaged in real estate development. The group (as renamed to Adventz Group of Companies) is now led by Mr. Saroj Kumar Poddar (Son in law of Mr. K.K



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Birla, husband of Jyotsna Poddar), comprises 23 companies in various verticals and has significant presence in agriculture, engineering & infrastructure, real estate, consumer durables and services. Mr. Poddar is the Chairman of Zuari Agro Chemicals Limited, Zuari Global Limited, Chambal Fertilisers & Chemicals Limited, Paradeep Phosphates Limited, Texmaco Infrastructure & Holdings Limited and Texmaco Rail & Engineering Limited. ZGL on a standalone basis derives majority of its income from Interest on loans & advances given to its group companies & dividend income from the large portfolio of investments that it holds & also from its real estate project under development. ZGL being the principal promoter entity has also extended Corporate Guarantees for many of the group companies to support their operations.

Status of non-cooperation with previous CRA: NIL

Any other information: Nil

Financials: Standalone (Zuari Global Limited)

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	2.48	113.65
EBITDA	-7.22	40.19
PAT	40.28	23.70
Tangible Net worth	1840.38	1625.67
EBITDA Margin (%)	-291.60	35.36
PAT Margin (%)	79.60	20.85
Overall Gearing Ratio (x)	0.06	0.24

*As per Infomerics Standards

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Bank Guarantee	Long Term	100.00	IVR BBB-(CE)* /Stable Outlook [IVR Triple B Minus (Credit	-	-	-



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				Enhancement) with Stable Outlook]			

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - BG	-	-	-	100.00	IVR BBB- (CE)* /Stable Outlook [IVR Triple B Minus (Credit Enhancement) with Stable Outlook]

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