



Press Release

Shapoorji Pallonji and Company Private Limited

May 07, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Fund Based Facilities (Long & Short Term)	10000.00	IVR BBB (Credit Watch with Developing Implications) / IVR A3+ [IVR Triple B under Credit Watch with Developing Implications / IVR A Three Plus]	IVR A+ (Credit Watch with Developing Implications) [IVR Single A Plus under Credit Watch with Developing Implications] & IVR A1+ (IVR A1 Plus)	Revised
Non – Fund Based (Long & Short Term)	15000.00	IVR BBB (Credit Watch with Developing Implications) / IVR A3+ [IVR Triple B under Credit Watch with Developing Implications / IVR A Three Plus]	IVR A+ (Credit Watch with Developing Implications) [IVR Single A Plus under Credit Watch with Developing Implications] & IVR A1+ (IVR A1 Plus)	Revised
Commercial Papers	1500.00	-	IVR A1+ (IVR A1 Plus)	Withdrawn
Total	25000 (Twenty-Five Thousand Crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank loan facilities of Shapoorji Pallonji and Company Private Limited (SPCPL or 'Company') has been revised to IVR BBB / Credit Watch with Developing Implications / IVR A3+ from IVR A+ / Credit Watch with Developing Implications / IVR A1+ primarily on account of significant weaker financial profile in FY20 and 1HFY21 due to the challenges induced by the on-going COVID-19 pandemic.

SPCPL applied for the One Time Restructuring (OTR) facility vide its letter dated September 17, 2020 to all its lenders, under RBI guidelines issued on August 6, 2020 and September 7, 2020. The OTR was invoked on October 26, 2020 and all eligible lenders have executed the



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OTR implementation on 31st March 2021; and the company has been granted interest moratorium up to 30 September 2021 and deferment in repayment of principal instalments by two years. Company's ability to repay as per OTR plan by monetisation of assets, realisation of Inter Corporate Deposits (ICD) and claims, will remain key monitorable.

The ratings continue to reflect Weak Financial Profile, High Contingent Liabilities and Uncertainty Involved with Asset Monetisation. These weaknesses are partially offset by Strong Promoter Group and Robust Order Book.

Key Rating Sensitivities:

Upward Factors

- Improvement in financial risk profile
- Successful asset monetisation coupled with realisation of ICDs and claims

Downward Factors

- Delayed or lower-than-expected financial support from promoters or group companies
- Inability to monetise assets within required timeframe, resulting in OTR failure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong Promoter Group**

Shapoorji Pallonji Group is a well-established, diversified industrial conglomerates in the construction, infrastructure and real estate space. As the group's flagship company, SPCPL benefits from vast experience of its qualified promoters, strong and competent management, reflecting the expertise in its execution capabilities in their key businesses and ability to raise fund through capital market instruments. The promoters also infused funds aggregating Rs.1740 crore during FY2019 and Rs.1968 crore during FY2020. The group also raised funds through IPO of Sterling & Wilson Solar Ltd. in FY2020.



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- **Robust Order Book**

SPCPL had an order book of Rs. 38,569 Crore as on December 31, 2020. The well-diversified order book across sectors, geographies and clientele provides revenue visibility in the near to medium term.

Key Rating Weaknesses

- **Weak Financial Profile**

Stretched debt protection metrics, weak capital structure and unpredictability of cash flows constrain financial risk profile. SPCPL's revenue from operations declined by ~52% from Rs.4,576 crore during H1FY20 to Rs.2,193 crore during H1FY21. Total Debt of the Company was at INR13,314Crore in FY20 as compared to INR9,414Crore in FY19. Cash flows from operations are expected to remain inadequate to meet debt servicing obligations over the medium term.

- **High Contingent Liabilities**

Company recorded contingent liabilities of INR6629Crore as in Dec 2020 as against INR7839Crore in FY20. SPCPL has extended credit support to various subsidiaries and associate companies by way of financial, corporate and DSRA guarantees for the debt availed by them, in addition to performance guarantees extended for various group projects.

- **Uncertainty Involved with Asset Monetisation**

The company has made slower-than-expected progress on its asset monetization plans that has delayed the projected deleveraging of its balance sheet. The Group has been able to successfully divest 258 MW of operational solar projects to a private equity firm in April 2020. They have signed a share purchase agreement with a local entity for 50MW solar project in Egypt, for which 75% of the equity for the same was received in Mar-20, and another share purchase agreement was signed with an investor for 225 MW CCPP in Bangladesh in January 2021. Additionally, divestment of equity stake and land for the Ports LNG terminal was concluded and partial funds against equity dilution was received



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in March, 2021. However, Infomerics expects delays in asset monetisation plan of the group given the current weak economic environment.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure/Construction Companies
Financial Ratios & Interpretation (Non- Financial Sector)
Default Recognition Policy

Liquidity – Stretched

The covid-19 pandemic related challenges led to deterioration in the financial flexibility of SPCPL. As a result, SPCPL had applied for the One Time Restructuring (OTR) facility based on guidelines prescribed by the RBI. The OTR was invoked on October 26, 2020 and the final resolution plan has been approved by lenders on 31/03/2021. The monetization events as envisaged under the resolution plan are vital to improve the liquidity position of the company and the group.

About the Company

The Shapoorji Pallonji Group (SP Group) is a globally diversified institution, with a leading presence in the sectors of Engineering & Construction, Infrastructure, Real Estate, Water, Energy and Financial Services. Established in 1865, SP Group today is a leading conglomerate, having a rich legacy of over 153 years of business. The Group has 6 major businesses within 16+ group companies, having presence across 70+ countries, with over 69,000 employees. SPCPL is the flagship company of the group. It specializes in construction, design and build of turnkey projects and has built diverse civil and engineering structures.

Financials (Standalone):

(Rs. crore)



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For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	12777.75	8985.84
EBITDA	1192.60	446.15
PAT	367.85	676.24
Total Debt	9413.56	13313.70
Tangible Net Worth	3132.65	3738.74
Ratios		
EBITDA Margin (%)	9.33	4.97
PAT Margin (%)	2.73	5.86
Overall Gearing Ratio (x)	3.02	3.57

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (October 01, 2020)	Date(s) & Rating(s) assigned in 2019-20 (January 13, 2020)	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facilities	Long/Short Term	10000.00	IVR BBB (Credit Watch with Developing Implications) / IVR A3+	IVR A+ (Credit Watch with Developing Implications) & IVR A1+	IVR AA- /Stable Outlook & IVR A1+	-
2.	Non – Fund Based	Long/Short Term	15000.00	IVR BBB (Credit Watch with Developing Implications) / IVR A3+	IVR A+ (Credit Watch with Developing Implications) & IVR A1+	IVR AA- /Stable Outlook & IVR A1+	-
3.	Commercial Papers	Short Term	1500.00	-	IVR A1+	IVR A1+	-

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.

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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Facilities (Long & Short Term)	--	--	--	10000.00	IVR BBB (Credit Watch with Developing Implications) / IVR A3+
Non Fund Based (Long & Short Term)	--	--	--	15000.00	IVR BBB (Credit Watch with Developing



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					Implications) / IVR A3+
Commercial Papers	--	--	--	1500.00	Withdrawn

