



Press Release

Shapoorji Pallonji And Company Private Limited

September 23, 2022

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term / Short Term Facility - Fund Based	5,000.00 (Decreased from 10,000.00)	IVR A /Stable Outlook / IVR A1 (IVR A with Stable Outlook) / (IVR A One)	Rating revised from IVR BBB (IVR Triple B) and removed from Credit Watch with Developing Implications / IVR A3+ (IVR A Three Plus)	Simple
Long Term / Short Term Facility - Non Fund Based	15,000.00	IVR A /Stable Outlook / IVR A1 (IVR A with Stable Outlook) / (IVR A One)	Rating revised from IVR BBB (IVR Triple B) and removed from Credit Watch with Developing Implications / IVR A3+ (IVR A Three Plus)	Simple
Total	20,000.00 (Rupees Twenty Thousand Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in ratings of the bank facilities of Shapoorji Pallonji and Company Private Limited (SPCPL) and removal of Credit Watch with Developing Implications factors in the successful exit from a one-time restructuring (OTR) scheme with repayment of its entire external debt by March 31, 2022, ahead of the OTR timelines through infusion of funds from promoters, proceeds from asset monetization and debt refinancing. Majority of promoter debt has been converted into compulsorily convertible preference shares and perpetual debt. This has led to an improvement in the net worth of the company and the overall capital structure. The ratings continue to factor in the experience of the promoters, robust order book position of ~Rs.32,470 crore as on June 30, 2022. Rating also factors in significant financial flexibility enjoyed by the Shapoorji Pallonji group (SP



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Group) as a result of being single largest minority shareholder of Tata Sons Private Ltd. The ratings strengths, however, remain constrained by modest profitability in SPCPL's core construction business in FY22, due to slow execution of orders due to limited working capital availability and covid-19 pandemic.

Key Rating Sensitivities

Upward Factor

- Significant increase in operating income and operating profitability from core operations.
- Reduction in debt resulting in improved debt protection parameters and liquidity position of the company.
- Improvement in working capital cycle.

Downward Factor

- Deterioration in operating profitability from core operations.
- Higher than expected debt at the group level deteriorating debt protection parameters and liquidity position.
- Higher than expected support to group companies by way of advances and/or guarantees by SPCPL impacting cash flow position.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Strong Promoter Group

Shapoorji Pallonji Group is a well-established, diversified industrial conglomerate 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 also ability to raise funds.

Robust Order Book

SPCPL had an order book of Rs. 32,4670 Crore as on June 30, 2022. The well diversified order book across sectors, geographies and clientele provides revenue visibility in the near to



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medium term. SPCPL has been majorly involved in the industrial and building construction space with projects viz. construction of office space, government headquarters, sports complex, commercial complex, residential buildings, etc.

Improvement in leverage with exit from OTR.

The total debt of SPCPL had increased substantially till FY21. However, the profitability witnessed slower growth leading to impact on the capital structure. Subsequently, due to Covid-19 pandemic, the business operations of SPCPL were affected and the company opted for OTR under RBI guidelines issued on August 6, 2020, and September 7, 2020. Thereafter, SPCPL has successfully exited OTR as on March 31, 2022, ahead of timelines with repayment of entire external debt and cash credit facilities under OTR (around Rs.12,500 crore) which was largely funded through fund raising at promoter level, planned asset monetization and fresh term loan. This has led to improvement of overall gearing level to 1.23x as on March 31, 2022 (Provisional) from 6.73x as on March 31, 2021. The company has total borrowings of Rs. 3,667 crore including Rs.3300 crore term loan and remaining working capital borrowings on its books as on August 31, 2022. Going forward also the company expects to take up only working capital limits to support its business operations.

Strong financial flexibility

The SP Group is the largest minority shareholder of Tata Sons Pvt. Ltd (TSPL, the holding company of the Tata group) with 18.37% stake, which provides financial flexibility. Further, majority of the businesses are held by SPCPL as subsidiaries, JVs, and associates with significant market value. These subsidiaries, JVs and associates hold several land parcels in the country with high market value which can be monetized. During FY22 and FY23, SPCPL has successfully monetized few of its investments - Eureka Forbes Limited, Sterling and Wilson Renewable Limited, and Jammu Udhampur Highway Ltd. Majority of the proceeds were used to reduce the OTR debt.

Key Rating Weaknesses

Subdued business growth during FY21 and FY22

The total operating income growth has remained subdued during the last two years and remains lower than pre-covid level. The total operating income of the company stood at



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Rs.6,580 crore in FY22 (Provisional) and Rs.5,435 crore in FY21. Even though the company had a strong order book, low working capital availability and OTR related challenges dampened execution. The profitability of its core business was thus impacted in FY21 and FY22. With the OTR related issues resolved, expected sanction of the working capital limits and a healthy order book the operational performance is expected to improve going forward.

High contingent liabilities

SPCPL being an operating cum holding company has extended credit support to various subsidiaries and associate companies by way of financial guarantees for the debt availed by them, in addition to performance guarantees extended for various group projects. As on March 31, 2022, SPCPL has extended financial guarantees of Rs.2,889 crore and performance guarantees of Rs.457crore. As per the management only need based support to group companies will be extended and cash flows of SPCPL cash flows will remain invested in its core business operations.

High receivable days

SPCPL has elongated debtors with about 30% of debtors belonging to group companies. The time taken by Government clients to certify work has also resulted in built up of debtors. The ability to recover the sticky debtors and thus improve cash flow position is a credit sensitivity.

Analytical Approach: Standalone.

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate

The company's liquidity profile remains adequate with reduction in large debt repayment obligations and debt servicing limited to interest payment in FY23. Further for the new term loan availed, principal repayments commence from FY24 thereby providing cushion to cashflows in current fiscal. Tie up of working capital limits will expedite project execution and



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thus improve the cashflow from operations. SPCPL has cash and cash equivalents of Rs.804 crore as on July 31, 2022.

About the Company

Established in 1865, having a legacy of over 150 years of business, the Shapoorji Pallonji Group is a diversified industrial conglomerate held by the Mistry family. It has a leading presence in the sectors of engineering & construction, infrastructure, real estate, water, energy and financial services through its various group companies. The SP Group is also the largest minority shareholder (18.37%) in Tata Sons Private Limited.

SPCPL is held by the Mistry family through various group companies. It is the flagship company and a holding cum operating company of the SP Group. Most of the groups' businesses are held by SPCPL as subsidiaries, JVs, and associates. It specializes in construction, design and build of turnkey projects and has built diverse civil and engineering structures.

Financials (Standalone)

(Rs. crore)		
For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	5434.7	6579.9
EBITDA	(39.8)	141.0
PAT	(1396.4)	143.1
Total Debt	15566.1	4648.3
Tangible Net Worth	2320.08	4625.96
Ratios		
EBITDA Margin (%)	(0.73)	2.14
PAT Margin (%)	(20.94)	1.63
Overall Gearing Ratio (x)	6.73	1.23

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (May 07, 2021)	Date(s) & Rating(s) assigned in 2020-21 (October 01, 2020)	Date(s) & Rating(s) assigned in 2019-20 (January 13, 2020)
1	Fund Based	Long Term / Short Term	5,000.00	IVR A/ Stable/ A1	IVR BBB/ Credit Watch with Developing Implications/ IVR A3+	IVR A+/ Credit Watch with Developing Implications/ IVR A1	IVR AA-/ Stable / IVR A1+
2	Non Fund Based	Long Term / Short Term	15000.00	IVR A/ Stable/ A1	IVR BBB/ Credit Watch with Developing Implications/ IVR A3+	IVR A+/ Credit Watch with Developing Implications/ IVR A1	IVR AA-/ Stable / IVR A1+
3	Commercial Papers	Short Term	-	-	-	IVR A1+	IVR A1+

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust, and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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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 / Short Term Facility - Fund Based	-	-	-	5,000.00	IVR A / Stable/ IVR A1
Long Term / Short Term Facility – Non Fund Based	-	-	-	15,000.00	IVR A / Stable / IVR A1

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: Multiple Banks

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.