

Goswami Infratech Private Limited

October 8, 2020

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Non-Convertible Debentures (NCDs) Tranche I [^]	600.00	CARE A+ (CE) (Under Credit watch with Developing Implications) [Single A Plus (Credit Enhancement)]	Revised from CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable] and rating put under credit watch
Non-Convertible Debentures (NCDs) Tranche II [^]	181.90	CARE A+ (CE) (Under Credit watch with Developing Implications) [Single A Plus (Credit Enhancement)]	Revised from CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable] and rating put under credit watch
Non-Convertible Debentures (NCDs) Tranche III (Series IIA) [^]	200.00	CARE A+ (CE) (Under Credit watch with Developing Implications) [Single A Plus (Credit Enhancement)]	Revised from CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable] and rating put under credit watch
Non-Convertible Debentures (NCDs) Tranche III (Series IIB) [^]	175.00	CARE A+ (CE) (Under Credit watch with Developing Implications) [Single A Plus (Credit Enhancement)]	Revised from CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable] and rating put under credit watch
Non-Convertible Debentures (NCDs) Tranche IV (Series A) [^]	320.00	CARE A+ (CE) (Under Credit watch with Developing Implications) [Single A Plus (Credit Enhancement)]	Revised from CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable] and rating put under credit watch
Non-Convertible Debentures (NCDs) Tranche IV (Series B) [^]	505.00	CARE A+ (CE) (Under Credit watch with Developing Implications) [Single A Plus (Credit Enhancement)]	Revised from CARE AA (CE); Stable [Double A (Credit Enhancement); Outlook: Stable] and rating put under credit watch
Total Instruments	1,981.90 (Rs. One Thousand Nine Hundred Eighty-One Crore and Ninety Lakhs Only)		

Details of instruments in Annexure I

*Backed by credit enhancement in the form of a Credit Support Undertaking (CSU) provided by Cyrus Investment Private Limited (CYRUS) referred to as Credit Support Provider (CSP) to unconditionally and irrevocably ensure timely servicing of rated debt obligations, provided the Debenture Trustee issues Utilisation Request within stipulated time frames.

Unsupported Rating²	CARE BBB- (Triple B Minus)
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Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers for the credit enhanced debt

The revision in the ratings assigned to the long term NCDs TR-I, II, III and IV takes into account, the moderation in the financial flexibility of the Credit Support Provider- Cyrus Investments Private Limited (CYRUS) as well as promoter group (Shapoorji Pallonji group, referred to as, SP group), evinced by the revision in ratings of Shapoorji Pallonji and Company Private Limited (SPCPL, the holding-cum-operating company of the group) to 'CARE A-/A2+; under Credit Watch with Negative Implications' from 'CARE A+/A1+; under Credit Watch with Developing Implications' on September 29, 2020.

The ratings also take into account, the occurrence of a Top-Up Trigger event in March 2020 and presence of market-related risk impacting the market value of CSP's investments.

However, the rating are based on the credit enhancement in the form of Credit Support Undertaking (CSU) from the Credit Support Provider (CSP) - Cyrus Investments Private Limited (CYRUS) to unconditionally and irrevocably ensure timely servicing of rated debt obligations, provided the Debenture Trustee monitoring the Structured Payment Mechanism (SPM); issues Utilisation Request within stipulated time frames.

The CSP continues to derive strength from being a part of Shapoorji Pallonji Group and having significant equity stake in Tata Sons Private Limited (TSPL, with CYRUS holding of 9.185%) thus imparting significant financial flexibility albeit moderated due

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

²As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

to recent aforementioned development, along with a non-disposal undertaking by the CSP, adequacy of LTV cover and a Structured Payment Mechanism. However, on September 25, 2020, Hon'ble Supreme Court issued a stay order on future pledging of shares in TSPL until its next hearing on October 28, 2020.

CARE also notes that due to a sharp decline in the share price of Tata Consultancy Services Limited (TCS), a Top-Up Trigger event had occurred in March 2020 which is in the process of being cured. Resultantly, CARE has placed the ratings assigned to NCDs of GIPL under 'Credit Watch with Developing Implications' and the credit watch will be resolved and/or reviewed by Q3FY21 basis progress in the monetization against pledge of TSPL shares.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Significant improvement in the market value of portfolio companies considered to calculate the Loan-to-Value (LTV) ratio
- Significant improvement in the credit profile of CSP

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Unfavourable outcome of the ongoing legal proceedings impacting the CSP
- Non-adherence to the credit support undertaking
- Non-adherence to the Structured Payment Mechanism (SPM)
- Significant decline in market value of portfolio companies considered for LTV computation
- Significant deterioration in the credit profile of the Credit Support Provider
- Occurrence of any event of default

Detailed description of the key rating drivers

Key Rating Strengths

Strong Promoter – SP Group, albeit moderation in the financial flexibility : With more than 154 years of operations, Shapoorji Pallonji (SP) group is one of the India's oldest and well reputed business groups in the construction, infrastructure and real estate space. Most of SP groups' businesses are held by SPCPL as subsidiaries, JVs and associates. During its 154 years of operations, SP group has built diverse civil and engineering structures like factories, nuclear waste handling establishments, landmark stadiums and auditoriums, airports, hospitals, hotels, housing complexes, water treatment plants, roads and power plants, Floating Production Storage and Offloading (FPSO) around the world. However, credit profile of SPCPL has moderated over past few years, and effectively its long term ratings have been revised to 'CARE A-/A2+ (Under Credit Watch with Negative Implications)' from 'CARE AA+; Stable/A1+' over the last 2 years.

Credit Support undertaking (CSU): The NCDs are backed by the credit support undertaking from CYRUS which is an SP group promoter company. The credit support undertaking augers well for Goswami Infratech Private Limited (GIPL) as it would enable it to roll over / tie up for the necessary funding so as to manage the debenture redemption on the strength of these investments. Besides, the financial support provided by CSP to GIPL will have to be in the form of equity. The financial support in the form of securities other than equity shares will be subject to approval of Debenture Trustee. Further, the CSU provider has agreed to secure its payment obligations to Debenture Trustee/debenture holders under the Undertaking by creating pledge of shares vide the Pledge Agreement. This further strengthens the structure and protects the interests of the debenture holders.

Structured Payment Mechanism: The NCDs would be redeemed at a premium to the book value on the maturity date. No coupon payment on the NCDs is scheduled in the interim period. The NCDs have a robust Structured Payment Mechanism (SPM) monitored by the Debenture Trustee. As per this structure, GIPL is obliged to pay the scheduled debt into cash top-up account under a T-1 structure to the redemption date. If the Company fails to deposit the redemption amount by T-1 business day ("Redemption Deposit Event of Default"), the Debenture Trustee will issue utilization request on the same day by 3p.m. (i.e. T-1) to CSU Provider to fund the cash top-up account by day-T, which is the redemption date, with the entire outstanding amount. In case of relevant event of default, GIPL plus CSP are allowed upto T+2 business days to fund the cash top-up account, where T stands for the date of relevant event of default and Debenture Trustee is obligated to deliver the Utilisation Request to the CSU Provider on the same day of default. CARE also notes that the obligation of the CSP to pay, shall remain binding despite and irrespective of any failure of the Debenture Trustee to deliver the Utilisation Request. If CSP fails to fund the cash top-up account within the stipulated time frames, then the Debenture Trustee will invoke the pledged shares. The transaction also covenants a cap on the aggregate amount of the financial indebtedness of CYRUS which provides additional comfort. Any deviation from the SPM will be a rating sensitivity.

Adequacy of Loan to Value (LTV) cover: The comfort from the CSP is mainly derived from its financial flexibility as a result of sizeable value of direct and indirect investments held by CYRUS in portfolio of companies (the portfolio; as defined in the

Debenture Trust Deed (DTD)) held by TSPL). Under this structure, the LTV is computed on 7.5% stake of TSPL less corresponding indebtedness of TSPL, with an initial LTV of 2.49% (TR-I); 0.67% (TR-II); 0.91% (TR-III) and 1.72% (TR-IV) respectively. However, upon LTV crossing respective limits of 3.33% for TR-I, 0.90% for TR-II, 1.21% for TR-III and 2.29% for TR-IV, GIPL or the CSP will have to restore the LTV either by depositing cash in the cash top-up account or by opening and maintaining a cash top-up fixed deposit account or by redeeming proportionate number of debentures or a combination of all.

Key Rating Weaknesses

Top-Up Trigger Event: On account of the covid-19 linked market volatility, share price of TCS had dropped on March 16, 2020 and as a result, a Top-Up Trigger event occurred in the Company. This event yet remains to be cured by the Company. However on June 3, 2020 and June 30, 2020, GIPL and SPCPL have also pledged Compulsorily Convertible Preference Shares and equity shares, respectively, of Afcons Infrastructure. Nevertheless, as on October 8, 2020, LTV based on recent share price of TCS (Rs.2842/share) lied below the threshold for the Top-Up Trigger.

Exposure to Market risk: The investments of CSP would act as an enabler to raise necessary funds, if required, to honor timely NCD redemption. However, these investments are exposed to market related risk. GIPL's financial flexibility determined by way of adequate cover available (Loan to Value) is primarily relied on the existing equity market condition. Besides, the deterioration in the credit profile of Shapoorji Pallonji Group (SP Group) due to delay in the progress of achieving asset monetization plans as envisaged in order to reduce debt at the group level and continued financial support extended to various group entities, increases refinance requirement at the group level.

Liquidity Analysis

Liquidity (GIPL): Moderate

Being an investment holding company, GIPL has no operations and thus liquidity at the standalone level is limited. However, being part of a large and resourceful promoter group, and existence of CSU, significant liquidity is imparted to the company's financial profile.

Liquidity (Cyrus): Adequate

Cyrus Investment Private Limited (Cyrus) is a 9.185% stakeholder in Tata Sons Private Limited, which provides financial flexibility and liquidity in the group. It has additional liquidity in the form of investments in Tata group companies and SP group companies having a total fair value of approximately Rs.528 crore as on March 31, 2020.

Analytical approach:

The NCDs are backed by credit enhancement in the form of Credit Support Undertaking (CSU) from Credit Support Undertaking Provider (CSP) – Cyrus Investment Private Limited (CYRUS) under the structured payment mechanism. For the purpose of default recognition, the legal final maturity for the NCDs is considered as T; where T-1 is the date when Debenture Trustee delivers utilization request to CSP, if the Company fails to fund the cash top-up account by 1 pm on T-1. The Debenture Trustee is required to issue a utilization request to the CSU Provider by 3.00 pm on T-1 day and CSP is bound to fund the cash top-up account by 1.00 pm on the next business day (i.e. day-T). In case of relevant event of default the Company plus CSP are allowed upto T+2 business days to fund the cash top up account and in this event the final maturity for the NCDs will be considered as T+2, where T stands for event of default. Therefore, adherence to the structural covenants is assessed as an analytical approach.

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Criteria for Rating Credit Enhanced Debt](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology – Factoring Linkages in Ratings](#)

[Financial Ratios – Non-Financial Sector](#)

[Rating of loans by investment holding companies](#)

About the Company – Goswami Infratech Private Limited (GIPL)

Incorporated in August 2012, Goswami Infratech Private Limited (GIPL) is an equally held joint venture between SC Finance & Investments Private Limited (SC Finance) and SP Finance Private Limited (SP Finance); which are, in turn promoted by Mr. Cyrus Pallonji Mistry and Mr. Shapoor Pallonji Mistry respectively. The promoters also jointly hold 100% equity stake in the holding- cum-operating company of the group - Shapoorji Pallonji and Company Private Limited (SPCPL; rated CARE A-/CARE A2+; under Credit Watch with Negative Implications). GIPL acts as one of the investment companies for SP Group.

GIPL acquired the Compulsory Convertible Preference Shares (CCPS) of Afcons Infrastructure Limited from India Infrastructure AIL (Mauritius) Limited in December 2012 from the proceeds of rated Non-Convertible Debenture (NCD) for the sum of Rs.800 crore of which part NCDs have been already redeemed. Afcons is a construction company engaged primarily in the infrastructure space. In June 2018, GIPL further issued NCD amounting to Rs.375 Crore (Tranche –III) for the purpose of acquisition of 48.31% of the issued equity shares of Honcho Properties Limited.

In June 2019, GIPL extended the redemption period by 18 months from the date of initial redemption (i.e. June, 2019) for its Tranche-II NCD of Rs. 181.90 crore (Tranche –II). In February 2020, GIPL further issued NCD amounting to Rs.825 crore (Tranche – IV) for the purpose of advancing money to SPCPL and other general corporate purposes and revised terms and the terms of the existing NCDs were revised in line with the Tranche IV NCDs.

About the Company – Credit Enhancement Provider (CYRUS)

The CSP – Cyrus Investments Private Limited (CYRUS) is primarily an investment company of the SP group and is promoted by the Mistry Family. CYRUS holds 9.185% stake in Tata Sons Private Limited (TSPL); which, in turn, holds investments in various Tata group entities.

Brief Financials of GIPL (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	0.48	0.60
PBILDT	0.32	0.45
PAT	-172.03	-257.11
Overall gearing (times)	0.57	0.63
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful; Note: Financials are classified as per CARE internal standards

Brief Financials of CYRUS (Rs. crore)	FY19 (A)	FY20 (Prov.)
Total operating income	62.83	291.16
PBILDT	40.38	269.36
PAT	23.89	236.71
Overall gearing (times)	-	-
Interest coverage (times)	-	-

A: Audited; NM: Not Meaningful; Note: Financials are classified as per CARE internal standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE219007172	December 21, 2012	13.80 %	December 21, 2022	600.00	CARE A+ (CE) (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	INE219007198	June 28, 2018	13.80 %	December 28, 2021	200.00	CARE A+ (CE) (Under Credit watch with Developing Implications)
	INE219007206			December 28, 2022	175.00	
Debentures-Non Convertible Debentures	INE219007180	June 12, 2014	13.80 %	December 12, 2022	181.90	CARE A+ (CE) (Under Credit watch with Developing Implications)

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE219007156	January 30, 2020	13.80 %	April 30, 2021	320.00	CARE A+ (CE) (Under Credit watch with Developing Implications)
	INE219007164			May 30, 2023	505.00	
Un Supported Rating	-	-	-	-	0.00	CARE BBB-

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	600.00	CARE A+ (CE) (Under Credit watch with Developing Implications)	-	1)CARE AA (CE); Stable (03-Mar-20) 2)CARE AA (CE); Stable (06-Jan-20) 3)CARE AA (SO); Stable (07-Jun-19) 4)CARE AA+ (SO); Stable (05-Apr-19)	-	1)CARE AA+ (SO); Stable (11-Dec-17)
2.	Debentures-Non Convertible Debentures	LT	375.00	CARE A+ (CE) (Under Credit watch with Developing Implications)	-	1)CARE AA (CE); Stable (03-Mar-20) 2)CARE AA (CE); Stable (06-Jan-20) 3)CARE AA (SO); Stable (07-Jun-19) 4)CARE AA+ (SO); Stable (05-Apr-19)	1)Provisional CARE AA+ (SO); Stable (22-Jun-18) 2)Provisional CARE AA+ (SO); Stable (26-Apr-18) 3)Provisional CARE AA+ (SO); Stable (05-Apr-18)	-
3.	Debentures-Non Convertible Debentures	LT	181.90	CARE A+ (CE) (Under Credit watch with Developing Implications)	-	1)CARE AA (CE); Stable (03-Mar-20) 2)Provisional CARE AA (CE); Stable (06-Jan-20) 3)Provisional CARE AA (SO); Stable (07-Jun-19)	-	-
4.	Debentures-Non Convertible Debentures	LT	825.00	CARE A+ (CE) (Under Credit watch with Developing Implications)	-	1)CARE AA (CE); Stable (12-Feb-20) 2)Provisional CARE AA (CE); Stable (16-Jan-20)	-	-
5.	Un Supported Rating	LT	0.00	CARE BBB-	-	1)CARE BBB- (03-Mar-20)	-	-

						2)CARE BBB- (06-Jan-20)		
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Annexure-3: Detailed explanation of covenants of the rated instruments

Name of the Instrument	Detailed explanation
A. Financial covenants	
I. Maximum LTV	The LTV shall not be 3.33% or greater for TR-I NCDs, 0.90% or greater for TR-II NCDs, 1.21% or greater for TR-III NCDs and 2.29% or greater for TR-IV NCDs (being a fixing determined as a 25% fall in Portfolio Value)
II. Non-disposal Arrangement	CSP to provide Non-disposal undertaking towards the key assets for the term of the debentures in relation to any charge by way of pledge, transfer, lien, hypothecation or any other claim on the key assets.
	Any transfer, disposal of other assets of the Credit Enhancement Provider excluding the key assets permitted to the extent there is no event of default outstanding at the time of such disposal.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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