

RATING RATIONALE

28 Mar2020

Shristi Infrastructure Development Corporation Ltd.

Brickwork Ratings Downgrades the rating of the Non-Convertible Debentures of Rs.145.00 Crs of Shristi Infrastructure Development Corporation Ltd. [SIDCL or 'The Company'] and also the long term and short term ratings for their Bank Loan Facilities of Rs.232.38 Crs, with a revision in Outlook from 'Stable' to 'Negative'.

Particulars:

Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Mar.,2019)	Present
Fund based Secured Non Convertible Debentures	145.00	145.00	Long Term	BWR BBB+, Stable	BWR BBB, Downgraded with a revision in Outlook from Stable to Negative
Cash Credit Limit	50.00	50.00			
Term Loan	175.00	162.38#			
Non Fund Based ILC/FLC	20.00	20.00	Short Term	BWR A2	BWR A3+ Downgraded
Total	390	377.38	Rs. Three Hundred and Seventy Seven Crores and Thirty Eight Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities/NCD are provided in Annexure-I&II

#Includes the outstanding Term loans as on February 2020 and undisbursed portion of Term Loans from banks.

RATING ACTION / OUTLOOK

Brickwork Ratings has downgraded the ratings of the Secured Non convertible Debentures of Rs.145.00 Crs and the ratings of the long term and short term bank loans of Rs.232.38 Crs of Shristi Infrastructure Development Corporation Ltd (SIDCL) with a revision in Outlook from Stable to Negative.

The downgrade of the rating has factored, inter alia, SIDCL's burgeoning debt, coupled with low debt protection metrics, stretched liquidity as well as the possibility of a major liability arising out of the arbitration claim by the Mauritius based company Rishima SA Investments LLC, which is now sub judice. The Downgrade also takes into account the muted outlook for the real estate industry in the near to medium term, and the risk associated with refinance.

The ratings are however supported by SIDCL's established track record in the infrastructure development and construction industry, implicit support from the Kanoria family & SREI group of companies, experienced management team, healthy order book position and comfortable Tangible Net worth.

BWR is of the view that there will be substantial pressure on the revenue, profitability and debt servicing ability liquidity of the company in the near to medium term, and has accordingly revised the outlook from 'Stable' to 'Negative'. The rating outlook may be revised to 'Stable' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Positive' if the revenues go up substantially and profit margins show higher than expected figures.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

For NCD, the following are key covenants stipulated by the Debenture Trustees-

- TOL/TNW not exceeding 7.5 times on an Annual Basis
- Unsold Inventory + Debtors on sold units/ Total Debt not exceeding 1.33 times on a Half Yearly Basis.
- FACR to be maintained at least 1.5 times on an Annual Basis
- Issuer to maintain a minimum Credit Rating of BBB- at all times during the Tenure of the NCD
- Net Worth to remain positive on an Annual basis during the Tenure of the NCD.

In FY19 the ratios were-

- TOL/TNW-1.70x
- Unsold Inventory + Debtors on sold units/ Total Debt-Cannot be ascertained as the data on sold units is not available
- FACR is 1.50x
- Issuer Credit Rating is above the minimum threshold specified.
- Net worth is positive

KEY RATING DRIVERS

BWR has principally relied upon the audited financial results up to FY19, 9MFY20 results, projected financials of FY20 & FY21, publicly available information and information/clarification provided by the Company's management.

Credit Risks:

- **Burgeoning Debt and Low Debt Protection Metrics:** SIDCL's total gearing increased to 1.70x in FY19 after it availed additional loans from Union Bank for the Guwahati Project as well as from its Group Company, Srei Infrastructure Finance Ltd. This has led to increase in total gearing in FY19. In FY20, the Company has already availed further Term loans from the Banks and its Group company for the ongoing projects however start of repayments from the Q2FY20 will moderate gearing levels to an extent in FY20. Increase in gearing and sustained low profitability has resulted in consistently low ISCR and DSCR for SIDCL. In FY19, ISCR deteriorated to 0.91x (FY18:1.06x) and DSCR was at 1.03x (FY18:1.10x). During the 9MFY20, ISCR was reported at 0.95x (9MFY19:1.20x). In FY20, the debt service ratios may continue to be low with a sharp rise in debt and interest costs.
- **Arbitrage Claim:** SIDCL is in a dispute with Mauritius-based Rishima SA Investments LLC, an investor with a 35% stake in the hotel project undertaken by one of the Group Companies of SIDCL in WB. The arbitrage claim is of Rs.761 Crs by Mauritius based-Rishima SA Investment, however, the arbitration tribunal has issued a partial award of Rs.160 crs in favour of the claimant. SIDCL has contested this award and the matter is under judicial consideration. As per the management, the matter is likely to take a long time to get resolved. However, there is an uncertainty with respect to the probable liability arising out of the outcome, which may have a material impact on the Company's cash flows.
- **Refinance risk:** In case of the PUT option on NCDs' being exercised by the investors, extension of additional support from the Group, will be the key factor for debt repayment.
- **Scale of operations:** The total revenue of the Company declined substantially in FY19 with the provisions of IND AS115 coming into effect from April 01,2018 and also due to delay in project execution owing to non receipt of government approvals in time, and labor issues. The Company has achieved revenue of Rs.61.34 crs in FY19 against Rs 102.89 Crs in FY18, post adjustments as per the new accounting standards. The scale of operations is unlikely to improve substantially going forward given the muted growth outlook for the Real Estate sector.

Credit Strengths:

- **Established track record and support from the Kanoria group:** Shristi Infrastructure Development Corporation Ltd (SIDCL), incorporated in 1990, is a Kanoria Foundation entity (Kolkata based). Kanoria Foundation is a trust founded by the Kanoria family, headquartered in Kolkata, India. Kanoria Foundation has well-established interests in infrastructure development, infrastructure-related financial services, housing projects, hospitality and healthcare sectors.
- **Experienced management:** The Company has an experienced management team. Mr. Sunil Jha is the Managing Director and has been associated with the Company since last 15 years and has over 28 years of multi-dimensional experience in finance, operations and team development. The directors are also assisted by professionals specialized in production, marketing and finance.
- **Comfortable Tangible Net worth:** The Tangible net worth of SIDCL is Rs.260.17 Crs as of March 31, 2019. It is expected to remain at the same level in FY2020.
- **Healthy order book position:** The Company has order book position of Rs. 1007 Crs - however revenue visibility for medium term shall depend on the proportion of work executed and funds received, as most of its projects are in the nascent stage.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Timely execution of projects, increase in bookings and handover as well as improvement in ISCR to 1.50x and DSCR to 1.20x with improvement in profitability may lead to a positive rating action.

Negative: Delay in execution of projects, decline in bookings and handover and sustaining ISCR and DSCR of below 1.0x due to decline in profitability may trigger a negative rating action.

LIQUIDITY INDICATORS

SIDCL's liquidity position is Stretched with tightly matched repayments and cash accruals. Repayments of term loans started from Q2FY20. The Company reported low cash accruals of Rs.1.39crs in FY19(FY18:Rs.2.71Crs) and Rs.0.34Crs during 9MFY20. The cash and cash equivalent balance stood at Rs.6.09 Crs as at 31 Mar 2019. The debt service coverage ratios are also stretched. ISCR was below 1.0x in FY19 and 9MFY20. DSCR was also below 1.0x in FY19 and is likely to be below 1x for FY20 and FY21. Working capital utilisation is over 90% due to high operating cycle. BWR has however factored

the Group support for liquidity support in case of need.

COMPANY's PROFILE

Shristi Infrastructure Development Corporation Ltd (SIDCL), incorporated in 1990, is a Kolkata based Kanoria Foundation entity. SIDCL started commercial operations in 1999. SIDCL is an ISO 9001:2000 certified Civil and Infrastructural Development Company. It is engaged in the construction & development of townships, roads, highways, hydro-electric power projects and other external services. SIDCL has joint ventures with various State & Central Government organisations for the development of various housing as well as infrastructure projects based on the Public Private Partnership model.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	₹ Cr	102.89	61.34
EBITDA	₹ Cr	28.41	36.38
PAT	₹ Cr	2.55	1.25
Tangible Net worth	₹ Cr	323.52	260.17*
Total Debt/Tangible Net worth	Times	0.89	1.70
Current Ratio	Times	1.50	1.93

***after adjusted for Development Rights**

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S.I	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (2020)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable					
		Type (Long Term/ Short Term)	Amount Outstanding (Rs. Crores)	Rating						
					Date(s) & Rating(s) assigned in year 2019		Date(s) & Rating(s) assigned in Year 2018		Date(s) & Rating(s) assigned in Year 2017	
1.	Fund Based	Long Term	212.38	BWR BBB, Downgraded, Outlook revised from Stable to Negative	20.03.2019		21.03.2018		28.03.2017	
					FB	225.00	BWR BBB+, Stable, Reaffirmed	FB	225.00	BWR BBB+, Stable, Assigned
2.	Non Fund Based	Short Term	20.00	BWR A3+, Downgraded	NFB	20.00	BWR A2, Reaffirmed	NFB	20.00	BWR A2, Assigned
3.	NCD	Long Term	145.00	BWR BBB, Downgraded, Outlook revised from Stable to Negative	NC D	145.00	BWR BBB+, Stable, Reaffirmed	NC D	145.00	BWR BBB+, Stable, Assigned
Total			377.38	Rs.Three Hundred and Seventy Seven Crs and Thirty Eight Lakhs.Only						

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)

- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

For any other criteria obtain hyperlinks from website

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Shristi Infrastructure Development Corporation Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	UCO Bank	Cash Credit	20.00	0.00	20.00
		Bank Guarantee	0.00	10.00	10.00
2.	Oriental Bank of Commerce	Cash Credit	5.00	0.00	5.00
3.	Indian Bank	Cash Credit	5.00	0.00	5.00
		Bank Guarantee	0.00	10.00	10.00
4.	Axis Bank	Cash credit	10.00	0.00	10.00
5.	Yes Bank	Cash Credit	10.00	0.00	10.00
6.	Union Bank	Term Loan	100.00	0.00	100.00
7.	Lakshmi Vilas Bank	Term Loan	62.38	0.00	62.38
Total Rupees Two Hundred and Thirty Two Crores and Thirty Eight Lakhs only					232.38

ANNEXURE II

INSTRUMENT (NCD) DETAILS

Instrument	Issue Date	Amount Rs. Crs.	Coupon Rate	Maturity Date	ISIN Particulars
Secured Non Convertible Debentures	30 November 2016	145.00	10% p.a.	30 November 2026	INE472C07016

Total Rs.One Hundred and Forty Five Crs. Only

For print and digital media

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