

Galina Consultancy Services Private Limited

November 28, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	300.00	300.00	[ICRA]AA-(SO) &; Downgraded from [ICRA]AA(SO); placed under rating watch with developing implications

*Instrument details are provided in Annexure-1 &: rating watch with developing implications

Rating action

ICRA has downgraded the rating assigned to Rs. 300.00¹ crore structured non-convertible debenture (NCD) programme of Galina Consultancy Services Private Limited (GCSPL) to [ICRA]AA-(SO) (pronounced ICRA Double A Minus Structured Obligation) from [ICRA]AA(SO) (pronounced ICRA Double A structured obligation). The long-term rating has been placed on watch with developing implications.

An SO rating is specific to the rated issue, its terms, and its structure. 'SO' ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

Rationale

The Rs. 300 crore structured NCD programme of GCSPL is backed by a unconditional, irrevocable and revolving DSRA (debt service reserve account) guarantee by Shapoorji Pallonji and Company Private Limited (SPCPL) that would cover all scheduled debt obligations that may arise on the rated NCDs. The payment mechanism is designed to ensure timely payment to the investors as per terms of the transaction, even if the Issuer does not pay and the NCD redemption happens through monies due from/arranged by SPCPL, as per the terms of the transaction.

The revision in rating of structured debt programme follows the revision in the long-term rating of SPCPL (DSRA Guarantee Provider) to [ICRA]AA (pronounced ICRA double A) from [ICRA]AA+ (pronounced ICRA Double A Plus). The long-term rating for SPCPL has been placed on watch with developing implications.

Rating put on watch with developing implications

The rating has been placed on watch with developing implications. ICRA will closely monitor the progress achieved by DSRA Guarantor (SPCPL) in terms of its deleveraging plans through equity infusion, asset monetisation, internal accruals and progress achieved in its plans to replace some of the DSRA support with long term non-recourse debt at the SPV level.

¹ 100 lakh = 1 crore = 10 million

Liquidity position:

The DSRA Guarantee provider i.e. SPCPL has access to around Rs 300 crore of undrawn bank lines, and liquid surplus of around Rs. 1,000 crore currently. Further, promoters of SPCPL have infused Rs. 650 crore in the form of equity and realisation of inter-group receivables, and a further Rs. 450 crore from monetisation of Chennai IT park is expected shortly. Based on other monetisation in progress, the DSRA Guarantee provider and its promoters are committed to bring in sizeable amount of equity by end of March 2019. Overall, the near-term liquidity profile is expected to remain comfortable given the undrawn lines, liquid surplus and fresh equity infusion from promoters along with good refinancing ability of the group. Further, ICRA expects SPCPL to ensure timely servicing of the debt obligations at the SPV level.

Key rating drivers

Credit strengths

The NCDs would be redeemed in one bullet instalment on the scheduled maturity date. The coupon amount would be payable on the NCDs on a quarterly basis. The DSRA Guarantee from Shapoorji Pallonji and Company Private Limited (SPCPL) would cover all payment obligations of the issuer that may arise on the rated NCDs, as per the terms of the transaction documents. The payment mechanism is designed to ensure timely payment to the investors, even if the guarantee has to be invoked by the Debenture Trustee. The transaction covenants that SPCPL would maintain 76% shareholding in GCSPL and not cede management control over GCSPL during the tenure of rated NCDs. The transaction also covenants that the external debt on the books of GCSPL would be restricted to Rs. 750 crore during the tenure of the rated NCDs.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support Parent/Group Company: Shapoorji Pallonji Group
Parent/Group Support	For arriving at the ratings, ICRA has taken into account the unconditional and irrevocable DSRA guarantee from SPCPL that would cover all the repayment obligations to the lender as per the terms of the NCD documents.
Consolidation / Standalone	Not Applicable since the rating is based on unconditional and irrevocable DSRA guarantee from SPCPL

About the company:

Galina Consultancy Services Private Limited (GCSPL) is one of the investment companies of the Shapoorji Pallonji (SP) Group. GCSPL currently owns a 3 acre sea facing land parcel next to Juhu Beach, Mumbai having a bungalow (villa) called Hacienda Bungalow admeasuring around 60,641 square feet. The Group plans to develop a luxury hotel/residential project at the project site. During FY2017, S.D. Suburban Development Private Limited (SSDPL) was merged with GCSPL after it acquired the balance 40% stake of SSDPL from Shapoorji Pallonji and Company Private Limited (SPCPL). It had earlier acquired 60% stake from SPCPL in FY2016. SSDPL owns a 160 acre land parcel in and around Hinjewadi, Pune, of which 30 acre plot was sold during the year to the SP Group for its affordable housing project being developed under the

'Joyville Housing' brand in partnership with International Finance Corporation, Asian Development Bank and Standard Chartered Private Equity.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	13.0	2.0
PAT (Rs. crore)	-15.1	-33.8
OPBDIT/OI (%)	-70.9%	-285.9%
RoCE (%)	0.0%	0.2%
Total Debt/TNW (times)	-71.7	-20.4
Total Debt/OPBDIT (times)	-95.8	-164.2
Interest coverage (times)	-0.6	-0.2

About SPCPL - Guarantor

Shapoorji Pallonji and Company Private Limited (SPCPL), is the flagship company of the Shapoorji Pallonji Group (SP Group), which is a diversified industrial conglomerate comprising of a group of companies held by the Mistry Family. The SP Group has a diversified presence across sectors such as construction (SPCPL, Afcons Infrastructure Limited), mechanical electrical and plumbing (Sterling & Wilson Private Limited), contracting (Sterling & Wilson Private Limited), water purification (Eureka Forbes Limited), infrastructure development (Shapoorji Pallonji Infrastructure Capital Company Private Limited), solar power generation and contracting (Sterling & Wilson Private Limited and Shapoorji Pallonji Infrastructure Capital Company Private Limited), floating production storage and offloading (FPSO) vessels (SP Oil & Gas Private Limited) etc. The SP Group is also the largest private shareholder (18.37%) in Tata Sons Limited, the holding company of the Tata Group.

SPCPL, which is held by Mistry family through various group companies, functions as the holding-cum-operating company of the SP Group. The company holds stakes in various listed and unlisted companies, within and outside the SP Group, and also has significant investments in properties that have high market value. SPCPL is one of India's leading construction companies, with a heritage of more than 150 years. Over the years, SPCPL has built diverse civil and engineering structures such as factories, stadiums and auditoriums, airports, hospitals, housing complexes, and power plants.

For detailed rating rationale on Shapoorji Pallonji and Company Private Limited, [click here](#) for referring to the release published on ICRA website.

Key Financial Indicators (Standalone)

	FY2017A	FY2018P
Operating Income (Rs. crore)	8,227	9,827
PAT (Rs. crore)	245	370
OPBDIT/ OI (%)	15.2%	13.3%
RoCE (%)	11.8%	11.6%
Total Debt/ TNW (times)	3.2	2.9
Total Debt/ OPBDIT (times)	5.6	5.8
Interest coverage (times)	1.7	1.8

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years	
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating	Date & Rating
						in FY2017 December 2016	in FY2016 May 2016
1	NCD	300.00	300.00	Nov 2018 [ICRA]AA-(SO) &	January 2018 [ICRA]AA(SO) (Stable)	[ICRA]AA(SO) (Stable)	[ICRA]AA(SO) (Stable)

&: rating watch with developing implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE839U07018	NCD	09-May-16	9.90%	15-Apr-19	200.00	[ICRA]AA-(SO) &
INE839U07026	NCD	03-Oct-16	9.90%	30-Sep-19	100.00	[ICRA]AA-(SO) &

Source: Company

&: rating watch with developing implications

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