

S. D. Corporation Private Limited

November 28, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	60.00	60.00	Provisional [ICRA]A1+(SO) &; reaffirmed, placed under rating watch with developing implications
Commercial Paper	1110.00	1110.00	[ICRA]A1+(SO) &; reaffirmed, placed under rating watch with developing implications
Non-Convertible Debenture Programme	435.00	435.00	[ICRA]AA-(SO)&; downgraded from [ICRA]AA(SO), placed under rating watch with developing implications
Total	1,605.00	1,605.00	

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

Rating action

ICRA has downgraded the rating assigned to Rs. 435.00¹ crore structured non-convertible debenture (NCD) programme of S. D. Corporation Private Limited (SDCPL) to [ICRA]AA-(SO) (pronounced ICRA Double A Minus Structured Obligation) from [ICRA]AA(SO) (pronounced ICRA Double A structured obligation). The rating has been placed on watch with developing implications.

ICRA has reaffirmed the short-term rating of Provisional [ICRA]A1+(SO) (pronounced provisional ICRA A one plus structured obligation)² to the Rs. 60-crore commercial paper (CP) programme of SDCPL. The rating has been placed on watch with developing implications.

ICRA has also reaffirmed the short-term rating of [ICRA]A1+(SO) (pronounced ICRA A one plus structured obligation) on the Rs. 1110-crore CP programme of SDCPL. The rating has been placed on watch with developing implications. The letter SO in parenthesis suffixed to the rating symbol stands for Structured Obligation. 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 issuer concerned. The rating for the CPs of Rs. 60-crore is provisional as of now (as denoted by the prefix 'Provisional' before the rating symbol) and is subject to the fulfilment and review of all pending actions/ documentation, pertaining to the facility rated by ICRA. The final rating may differ from the provisional rating in case the completed actions/ documentation are not in line with ICRA's expectations.

Rationale

The Rs. 435 crore structured NCD programme of SDCPL 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

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA rating publications

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.

The rating assigned to the overall Rs. 1170-crore commercial paper (CP) programme takes into account the unconditional and irrevocable corporate guarantee from Shapoorji Pallonji and Company Private Limited (SPCPL). The rating is based on the strength of this guarantee from SPCPL, the integrity of the legal structure, and the structured payment mechanism designed to ensure timely payment on the rated CPs as per the terms of the transaction. The short-term rating for the CP programme of SDCPL has been placed on watch with developing implications following the ratings of SPCPL (Guarantee Provider) being 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 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.

Liquidity position:

The 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

Presence of Payment mechanism for NCD programme: The NCDs of Rs. 435 crore would be redeemed in one bullet instalment on the scheduled maturity dates. The coupon amount is payable on the NCDs on a quarterly basis. The DSRA Guarantee from 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, as per the terms of the transaction.

Guarantee from SPCPL: The CP programme is backed by an unconditional and irrevocable guarantee by SPCPL.

Presence of payment mechanism: The CPs of face value of Rs. 1170-crore to be issued would have a maturity upto one year from the value date. The amount due on the CPs would be payable on the maturity date. The guarantee from SPCPL would cover all issuer obligations that may arise on the rated CPs. The payment mechanism is designed to ensure timely payment to the CP investors, as per the terms of the transaction.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support ICRA approach for rating commercial paper Parent/Group Company: Shapoorji Pallonji Group
Parent/Group Support	<p>For arriving at the rating for the Rs. 1170-crore CP programme, ICRA has taken into account the unconditional and irrevocable guarantee from SPCPL that would cover all the repayment obligations to the CP holders as per the terms of the transaction.</p> <p>For arriving at the rating for the NCD programme, ICRA has taken into account the unconditional and irrevocable DSRA Guarantee from SPCPL that would cover all the repayment obligations to the NCD holders as per the terms of the transaction.</p>
Consolidation / Standalone	Not Applicable since the ratings are based on unconditional and irrevocable guarantee from SPCPL

About the company:

SDCPL is an equal joint venture between the Shapoorji Pallonji Group and the Dilip Thacker Group, is a Mumbai-based real estate developer with its marquee project being the twin Imperial Towers at Tardeo, Mumbai – at present, India’s tallest completed residential project.

At present, SDCPL is executing three projects in Mumbai, namely Sarova (located in Samata Nagar, Kandivali; three towers, namely Alpine, Epsilon, & Astron launched as on date), The Imperial Edge (Tower IV of the Imperial Tower project located in Tardeo) and The Lumiere (located in SVP Nagar, Versova). The total area under development is about ~1.9 million square feet. The Sarova project is a large-scale project, involving redevelopment of Maharashtra Housing and Area Development Authority (MHADA) buildings and rehabilitation of existing tenants over a 52-acre land parcel. The project has a total saleable potential of over 7.5 million square feet. The Imperial Edge, designed as a high-end luxury project and a part of the Imperial Tower development at Tardeo, comprises 46 luxury units aggregating to 0.2 million square feet of development. The project was launched for sale in May 2014. The Lumiere project is also a part of the MHADA redevelopment initiative and comprises 67 units aggregating to 0.1 million square feet.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	160.1	344.4
PAT (Rs. crore)	-1.3	-3.4
OPBDIT/OI (%)	136.9%	108.8%
RoCE (%)	9.1%	10.8%
Total Debt/TNW (times)	56.4	88.3
Total Debt/OPBDIT (times)	12.4	10.6
Interest coverage (times)	1.0	1.0

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:

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years			
				Date & Rating	Date & Rating	Date & Rating	Date & Rating	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
				November 2018	September 2018	August 2018	July 2018	June 2018	March 2018	December 2016	August 2015	
1	Commercial Paper	Short Term	60.00	-	Provisional [ICRA]A1+ (SO) &	Provisional [ICRA]A1+ (SO)	-	-	-	-	-	-
1	Commercial Paper	Short Term	50.00	-	[ICRA]A1+ (SO) &	[ICRA]A1+ (SO)	Provisional [ICRA]A1+ (SO)	-	-	-	-	-
2	Commercial Paper	Short Term	1060.00	-	[ICRA]A1+ (SO) &	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	[ICRA]A1+ (SO)	Provisional [ICRA]A1+ (SO)
4	NCD	Long Term	435.00	435.00	[ICRA]AA- (SO) &	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[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
INE660N08029	Non-Convertible Debenture	20-Jun-16	10.00%	29-Apr-21	300.00	[ICRA]AA-(SO) &
INE660N08045	Non-Convertible Debenture	04-Aug-16	9.95%	29-Apr-19	60.00	[ICRA]AA-(SO) &
INE660N08052	Non-Convertible Debenture	04-Aug-16	9.95%	27-Apr-20	75.00	[ICRA]AA-(SO) &
NA	Commercial Paper	-	7.85%-10.75%	7-365 days	1110.00	[ICRA]A1+(SO) &
NA	Commercial Paper	-	-	7-365 days	60.00	Provisional [ICRA]A1+(SO) &

Source: SDCPL

&: rating watch with developing implications

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