

January 07, 2021

## Sunny View Estates Private Limited: Ratings continue to remain under watch with negative implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	200.0	200.0	[ICRA]BBB(CE)@; rating continues to remain under watch with negative implications

\*Instrument details are provided in Annexure-1

### Rating Without Explicit Credit Enhancement

[ICRA]BB

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

The Rs. 200 crore structured NCD programme of Sunny View Estates Private Limited (SVEPL) is backed by an unconditional, irrevocable and revolving DSRA (debt service reserve account) guarantee by Shapoorji Pallonji and Company Private Limited (SPCPL).

The rating continues to remain under watch with negative implications as SVEPL has made an application to its lenders for one-time restructuring of its term loan under the Reserve Bank of India's (RBI) resolution framework for Covid-19 related stress announced on August 6, 2020, which is still under process. The application for restructuring was made prior to the due date and SVEPL has subsequently missed its repayment obligations. However, ICRA has not recognised the missed payment as default in accordance with the rating approach published recently on ICRA's website and available at this link (click [here](#)). Eventually, the resolution plan was invoked by the lender on December 10, 2020. The rating of SVEPL continues to be under watch with negative implications to reflect the uncertainty surrounding the terms of the resolution plan and its implementation. Timely implementation of the resolution plan for the company as well as SPCPL within the regulatory timelines<sup>1</sup>, and the assessment of the terms of the resolution plan and its consequent impact on the credit risk profile of the company and SPCPL would be the key rating monitorable.

<sup>1</sup> Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 180 days from the date of invocation.

The previous detailed rating rationale is available on the following link: [Click here](#)

## Key rating drivers

Refer to the previous rating rationale: [Click here](#)

## Liquidity position: Stretched

The liquidity position of the DSRA guarantee provider i.e. SPCPL is stretched. SPCPL has free cash balance of ~Rs.181.1 crore (along with Rs. 380.9 crore cash balances in international EPC projects) as on November 30, 2020. The estimated cash flow from operations along with the existing cash balance would not be adequate to meet the high repayment obligations falling due over the short to medium term. ICRA has taken note that SPCPL has applied for one-time restructuring of its debt exposure. Timely implementation of the resolution plan in a manner that alleviates the company's tight liquidity position would be crucial.

## Rating sensitivities

**Positive Triggers:** The rating assigned to the Rs. 200 crore NCD programme would remain sensitive to any movement in the rating or outlook of the DSRA guarantee provider i.e. SPCPL.

**Negative triggers:** The rating assigned to the Rs. 200 crore NCD programme would remain sensitive to any movement in the rating or outlook of the DSRA guarantee provider i.e. SPCPL. Further negative pressure on the rating could arise in case of failure of relevant stakeholders to adhere to the NCD structure.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	Parent/Group Company: Shapoorji Pallonji Group 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 transaction documents.
Consolidation/Standalone	Not applicable since the rating is based on an unconditional and irrevocable DSRA guarantee from SPCPL

## About the company

The Shapoorji Pallonji Group (SP Group) is developing 9 IT/ITeS focused commercial projects - branded as "SP Infocity" - across India (Pune, Chennai, Gurgaon, Manesar, Nagpur, Mohali, Mysore, Kolkata and Durgapur) through various SPVs. SP Infocity at Mohali, Punjab has been constructed by Sunny View Estates Private Limited (SVEPL) and is part of the Quark City SEZ. It has excellent regional and national connectivity and easy accessibility from different states - Punjab, Haryana, Himachal Pradesh and Delhi. SP Infocity is located 15 kms from the upcoming Chandigarh International Airport and 18 kms from Chandigarh Railway Station.

## Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	3.0	7.0
PAT (Rs. crore)	-25.6	-26.5
OPBDIT/OI (%)	-226.5%	-46.3%
RoCE (%)	-1.8%	5.4%
Total Outside Liabilities/Tangible Net Worth (times)	-5.7	-4.8
Total Debt/OPBDIT (times)	-41.8	-112.0
Interest Coverage (times)	-0.3	-0.1
DSCR	0.0	0.4

## About DSRA Guarantee Provider

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 Private 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 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)

	FY2018	FY2019
Operating Income (Rs. crore)	9,823	13,474
PAT (Rs. crore)	342	368
OPBDIT/ OI (%)	13.4%	11.90%
RoCE (%)	11.6%	12.1%
Total Debt/ TNW (times)	2.9	2.7
Total Debt/ OPBDIT (times)	5.8	5.9
Interest coverage (times)	1.8	1.9

Source: Company, ICRA Research

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

	Instrument	Type	Amount Rated	Rating (FY2021)		Rating History for the Past 3 Years							
				Amount Outstanding	Current Rating	Earlier Rating	FY2020		FY2019		FY2018		
					07-Jan-2021	09-Oct-2020	04-Dec-2019	28-May-2019	28-Nov-2018	25-July-2018	01-Feb-2018	23-Jan-2018	02-Jan-2018
1	NCD	Long Term	200.0	200.0	[ICRA]BBB(CE)@	[ICRA]BBB(CE)@	[ICRA]A(CE) (Negative)	[ICRA]A+(SO) &	[ICRA]AA-(SO) &	[ICRA]AA(SO) (Stable)	[ICRA]AA(SO) (Stable)	Provisional [ICRA]AA(SO) (Stable)	[ICRA]AA(SO) (Stable)

Amount in Rs. Crore; &: Rating watch with developing implications; @: Rating watch with negative 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](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE195S08025	NCD	23-Jan-18	10.50%	12-Apr-21	200	[ICRA]BBB(CE)@

Source: SVEPL; @: Rating watch with negative implications

### Annexure-2: List of entities considered for consolidated analysis

Not Applicable

## Analyst Contacts

**Shubham Jain**

+91 124 4545 306

[shubhamj@icraindia.com](mailto:shubhamj@icraindia.com)

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Anand Kulkarni**

+91 22 6169 3326

[anand.kulkarni@icraindia.com](mailto:anand.kulkarni@icraindia.com)

**Gaurav Mashalkar**

+91 22 6114 3431

[gaurav.mashalkar@icraindia.com](mailto:gaurav.mashalkar@icraindia.com)

**Drashti Thakkar**

+91 22 6169 3330

[drashti.thakkar@icraindia.com](mailto:drashti.thakkar@icraindia.com)

## Relationship Contact

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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