

December 04, 2019

Skyscape Developers Private Limited: Ratings Downgraded to [ICRA]A(CE); ratings removed from watch with developing implications and 'Negative' outlook assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme	400.0	400.0	[ICRA]A(CE); Downgraded from [ICRA]A+(CE); ratings removed from watch with developing implications and 'Negative' outlook assigned

*Instrument details are provided in Annexure-1

Rating Without Explicit Credit Enhancement	[ICRA]BB
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Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. 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

ICRA has downgraded the rating assigned to Rs. 400.00¹ crore structured non-convertible debenture (NCD) programme of Skyscape Developers Private Limited (SDPL) to [ICRA]A(CE) (pronounced ICRA A Credit Enhancement) from [ICRA]A+(CE) (pronounced ICRA A Plus Credit Enhancement). The long-term rating has been removed from watch with developing implications and negative outlook has been assigned.

The Rs. 400 crore structured NCD programme of SDPL is backed by a unconditional, irrevocable and revolving DSRA (debt service reserve account) guarantee by Shapoorji Pallonji and Company Private Limited (SPCPL).

The revision in rating of structured debt programme follows the revision in the long-term rating of SPCPL (DSRA Guarantee Provider) to [ICRA]A+ (pronounced ICRA A Plus) from [ICRA]AA- (pronounced ICRA Double A Minus). The long-term rating of SPCPL has been removed from watch with developing implications and negative outlook has been assigned.

Adequacy of credit enhancement

For arriving at the rating, ICRA has assessed the attributes of DSRA Guarantee provided by SPCPL in favour of the rated instrument. The DSRA guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument. Given these attributes, the DSRA Guarantee provided by SPCPL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]A(CE)** against the rating of [ICRA]BB without explicit credit enhancement. In case the rating of the DSRA Guarantee Provider were to undergo a change in future, the same would reflect in the rating of the aforesaid instrument as well.

¹ 100 lakh = 1 crore = 10 million

Salient covenants related to the credit enhancement, as specified in the guarantee documents: The DSRA Guarantee provider shall not be entitled to and also hereby waives all the rights conferred on the DSRA guarantor under Sections 133, 134, 135, 139 and 141 of the Indian Contract Act, 1872. The DSRA Guarantee is a continuing one and shall remain in full force and effect till final settlement of the rated NCD. The DSRA Guarantee 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.

Key rating drivers and their description

Credit strengths

Guarantee from SPCPL: The ratings for the Rs. 400 crore NCD programme is based on the strength of unconditional and irrevocable DSRA guarantee by SPCPL.

Presence of Payment mechanism: 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 payment mechanism is designed to ensure timely payment to the investors, even if the guarantee has to be invoked by the Debenture Trustee.

Liquidity position

The liquidity position of the DSRA Guarantee Provider i.e. SPCPL is **adequate**. The cash and bank balance in SPCPL stood at Rs. ~1,300 crore as on September 30, 2019 along with unutilised working capital limit of Rs. 215 crore. The estimated cash flow from operations are not adequate to meet the high repayment obligations falling due over the short to medium term. Therefore, SPCPL remains exposed to refinancing risk. However, comfort can be taken from the Shapoorji Pallonji Group's (SP Group) commitment to bring in sizeable amount of equity in the near term, financial flexibility enjoyed by the group with a demonstrated track record of refinancing debt in the past.

Rating sensitivities

Positive Triggers: The rating assigned to the Rs. 400 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. 400 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	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
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 unconditional and irrevocable DSRA guarantee from SPCPL

About the company

Skyscape Developers Private Limited (SDPL) is one of the special purpose vehicles (SPV) of the Shapoorji Pallonji Group (SP Group), which is developing IT/ITeS focused commercial projects branded as “SP Infocity” across nine different locations in India. SDPL is involved in the construction of the aforesaid project at Manesar, Haryana. The company has received allotment of land admeasuring 38,212 square meters from Haryana State Industrial & Infrastructure Development Corporation (HSIIDC) at Sector 8, marked in the layout plan of Integrated Manesar Township (IMT) Manesar. The overall project possesses a development potential of approximately 11.5 lakh square feet involving five independent blocks (three blocks dedicated for IT/ITeS companies and remaining blocks for residential & commercial purposes). The construction activities for three blocks were completed four years ago. The company has not undertaken any further construction activities at the project location owing to the absence of any sales or leases for the existing structures

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	0.0	0.0
PAT (Rs. crore)	-46.9	-50.0
OPBDIT/OI (%)	-	-
RoCE (%)	4.4%	2.1%
Total Outside Liabilities/Tangible Net Worth (times)	-2.7	-2.2
Total Debt/OPBDIT (times)	-394.5	-445.6
Interest Coverage (times)	0.0	0.0
DSCR	0.2	0.1

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 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)

	FY2018A	FY2019A
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	Rating (FY2020)					Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Current Rating	Earlier Rating	FY2019	FY2018	FY2017	
					04-Dec-2019	28-May-2019	28-Nov-2018	22-Dec-2017	6-Jan-2017	27-Dec-2016
1	NCD	Long Term	400.0	400.0	[ICRA]A (CE) (Negative)	[ICRA]A+ (SO) &	[ICRA]AA- (SO) &	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	Provisional [ICRA]AA (SO) (Stable)

Amount in Rs. Crore

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	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE380W08017	NCD	03-Jan-17	9.35%	10-Apr-20	250	[ICRA]A (CE) (Negative)
INE380W08025	NCD	19-Jun-17	9.35%	10-Apr-20	150	[ICRA]A (CE) (Negative)

Source: SDPL

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