

## CARE RATINGS PRESS RELEASE

April 07, 2020

| Name Of The Company                                    | Instruments                        | Rating  | Amount (Rs.Cr.) |
|--|------------------------------------|---|-----------------|
| Cleantech Solar Energy (India) Private Limited         | Bank Facilities                    | CARE BBB; Stable<br>[Outlook revised from positive]                         | 283.91          |
| India Home Loan Limited                                | Bank Facilities                    | CARE BBB-; Negative<br>[Revised from Stable]                                | 200             |
| Ashiana Landcraft Realty Private Limited               | NCD                                | CARE D;<br>ISSUER NOT COOPERATING*<br>[Revised from CARE C; Stable]         | 110.01          |
| Ernst & Young LLP                                      | LT Bank Facilities                 | CARE AA; Stable<br>[Revised from CARE AA+; Stable]                          | 175             |
|  | ST Bank Facilities                 | CARE A1+<br>[Assigned]  | 25              |
| Emami Frank Ross Limited                               | Bank Facilities                    | CARE BBB; Stable<br>[Reaffirmed]  | 45              |
| Azure Power India Private Limited                      | Bank Facilities                    | CARE A+; Stable/CARE A1+<br>[Reaffirmed]                                    | 2357.74         |
| JSW Severfield Structures Limited                      | Bank Facilities                    | CARE BBB+; Stable/ CARE A3+<br>[Reaffirmed]                                 | 898             |
| Maruti Spintex Private Limited                         | Bank Facilities                    | CARE BB; Stable /CARE A4;<br>ISSUER NOT COOPERATING*                        | 58.01           |
| Power Grid Corporation of India Limited                | LT Borrowing<br>Programme for FY21 | CARE AAA; Stable  | 10000           |
| Shree Jeenmata Dyeing & Printing Mills Private Limited | Bank Facilities                    | Withdrawn   | ---             |
| LIC Housing Finance Ltd.                               | NCD                                | CARE AAA; Stable  | 117441          |
|  | Lower Tier II Bonds                | CARE AAA; Stable  | 750             |
|  | Upper Tier II Bonds                | CARE AAA; Stable  | 1500            |
|  | Non-Convertible Bonds              | CARE AAA; Stable<br>[Reaffirmed]  | 25000           |
| Alchemist Hospitals Limited                            | Bank Facilities                    | CARE BB+; Stable<br>[Reaffirmed]  | 55.38           |
| Shapoorji Pallonji and Company Private Limited         | NCD                                | CARE A+   | 500             |
|  | CP                                 | CARE A1+<br>Continues to be on credit watch with<br>developing implications | 1500            |

**\*Provisional Rating**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries /regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications

Explanatory notes regarding rating symbols of CARE

| Symbol  | Explanation | Symbol   | Symbol        | Explanation       |                       | Symbol |   |
|---------|-------------|----------|---------------|-------------------|-----------------------|--------|---|
| CARE A1 | Superior    | CARE AAA | CARE AAA (FD) | Best Quality      | High Investment Grade | CCt 1  | Very high project execution capability  |
| CARE A2 | Strong      | CARE AA  | CARE AA (FD)  | High Quality      | -do-                  | CCt 2  | High project execution capability       |
| CARE A3 | Adequate    | CARE A   | CARE A (FD)   | Adequate Safety   | Investment Grade      | CCt 3  | Moderate project execution capability   |
| CARE A4 | Risk prone  | CARE BBB | CARE BBB (FD) | Moderate Safety   | -do-                  | CCt 4  | Inadequate project execution capability |
| CARE D  | Default     | CARE BB  | CARE BB (FD)  | Inadequate safety | Speculative Grade     | CCt 5  | Poor project execution capability       |
|         |             | CARE B   | CARE B (FD)   | Risk Prone        | -do-                  |        |   |
|         |             | CARE C   | CARE C (FD)   | High Risk         | Poor Grade            |        |   |
|         |             | CARE D   | CARE D(FD)    | Default           | -do-                  |        |   |

#### Disclaimer

CAREs ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the Concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

## Cleantech Solar Energy (India) Private Limited

April 7, 2020

### Ratings

| Facilities                | Amount<br>(Rs. crore)  | Rating <sup>1</sup>                                | Rating Action                      |
|---------------------------|--|--|------------------------------------|
| Long term Bank Facilities | 283.91<br>(enhanced from 191.91)   | CARE BBB; Stable<br>(Triple B; Outlook:<br>Stable) | Revised from CARE BBB;<br>Positive |
| Total Facilities          | 283.91<br>(Rupees Two hundred eighty<br>three crores and ninety one lakhs<br>only) |  |                                    |

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The revision in outlook assigned to the bank facilities of Cleantech Solar Energy (India) Private Limited (CSEPL) is on account of restructuring within the Cleantech group which involves moving the Open Access Solar Projects to a separate entity formed under the name "Cleantech India Open Access Pte Limited". This entity will be a sister company of CSEPL under the parent "Cleantech Solar Asia Pte Limited" (CSA).

The rating continues to derive strength from strong managerial and financial support derived from being part of the Cleantech group, diversified clientele with moderate counter-party risk and revenue visibility in the form of long-term PPAs (Power Purchase Agreements) signed for the operational & under execution projects and satisfactory pipeline of solar power projects providing incremental revenue visibility. The rating also derives strength from the equity infusion by Shell Eastern Petroleum Pte Limited and Climate Fund Managers in the Cleantech group (parent holding company).

The rating, however, is tempered by relatively short track record of operations, significant and continuous debt funded capex plans, susceptibility of power generation to variation in climatic conditions and technological risks.

Furthermore, any revision in any PPAs or delays in payments from counterparties thus impacting its cash flows will also be key rating monitorables.

### Rating Sensitivities

#### Positive Factors

- Ability of the company to timely complete on-going as well as future projects within the envisaged costs
- Power generation at envisaged capacity utilization factor (CUF) along with timely receipt of payment from the off-takers and revision in PPA rates
- Maintaining DSCR of over 2.0x in the next 3 years.

#### Negative Factors

- Decrease in the DSCR to 1.15x
- Detoriation in the credit profile of the parent.

### Outlook: Stable

The revision in rating outlook factors in the restructuring within the Cleantech group and its impact on the cashflows of CSEPL. However, stability in operations of the company on the back of regular financial support from parent holding company towards setting up projects in India has been considered.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Strong managerial and financial support

The group has shown a demonstrated track record of ramp-up in the projects owing to managerial and financial support from its promoter group. The group is led by Mr. Raju Shukla who has vast experience and has earlier been part of top managerial position of various companies. Furthermore, the group has received investments from Shell Eastern Petroleum Pte Limited and Climate Fund Managers in recent past. Additionally, the company has received regular infusion of funds over the last three-year to support the growth of the Indian operations.

##### Diversified clientele and moderate counter-party risk coupled with geographical diversification

The company has varied clientele base operating in diverse set of industries with PPAs signed for long-term tenure providing revenue visibility due to assured take-off of the entire power generated at pre-determined rates. Furthermore,

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

the company has installed solar power projects across India with presence in multiple states and in Union Territories. With operations spread across the country, the company is relatively insulated in terms of any adverse regulatory or climatic changes in any particular state.

#### **Satisfactory pipeline of solar power projects**

Currently, the company has various projects under execution and also under active discussion to be executed in near future thus providing healthy incremental revenue visibility. As on January 31, 2020, the Cleantech group in India has 89.4 MW capacity under execution and 116.7 MW capacity under contractual obligation. Furthermore, the company executes design and engineering of all its systems in-house which includes personnel's with prior experience of building photovoltaic systems across Europe, Middle East and Asia. The company uses systems developed by leading technology companies to track generation data on a real-time basis.

#### **Key Rating Weaknesses**

##### **Short track record for its operational capacity**

Majority of the projects have achieved commercial operation only in recent past leading to short track record of operating performance.

##### **Continuous capital requirement to meet forecasted project funding and susceptibility to volatility in raw material prices**

There will be significant requirement of funds for setting up the solar power projects over the next three to four years. Although, the group has received significant investments in recent past, the envisaged support to the Indian operations going forward remains to be seen. Furthermore, the company imports the solar modules leading to exposure to foreign exchange fluctuation and volatility in price of the modules.

##### **Exposure to climatic conditions and technological risk**

Achievement of envisaged solar power generation would be subject to change in climatic conditions, amount of degradation of modules as well as technological risks

##### Liquidity: Adequate

The current ratio stood at 0.76 times at the end of FY19, with expected cash to be generated at Rs. 46.57 crores against debt servicing of Rs. 40.11 crores in FY20. However, comfort is also derived from the support of the parent, that is, in case of insufficient funds, the backing of the parent and funds from the other subsidiaries (Cleantech India Open Access Pte Limited) will be made available.

**Analytical approach:** CARE has adopted a standalone approach. Parent notching factors are also considered as the parent (CSA) holds 100% shareholding in CSEPL. Strategic importance of CSEPL for being the only roof top power producer entity in the overall portfolio of CSA and also there are substantial operational and financial linkages with the parent.

#### **Applicable Criteria**

[Criteria on assigning Outlook to credit rating](#)

[CARE's Policy on Default recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology: Infrastructure Sector Ratings](#)

[Financial Ratios: Non-Financial Sector](#)

[Sector Specific Methodologies: Private Power Producers](#)

#### **About the Company**

Incorporated on January 19, 2015, Cleantech Solar Energy India Private Limited is engaged in development, construction and operation of solar roof-top systems in India for companies in commercial and industrial segments. CSEPL is a step-down subsidiary of Cleantech Solar Asia Pte Limited (CSA) which is a step down subsidiary of Cleantech Renewable Asset Private Limited held by the parent Cleantech Energy Corporation (CEC). Cleantech group has a portfolio of 295 solar projects (including rooftop and open access) across South East Asia and India with a total capacity of over 442 Mega Watts.

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 40.05    | 60.85    |
| PBILDT                       | 10.74    | 25.1     |

|                           |       |      |
|---------------------------|-------|------|
| PAT                       | -1.90 | 7.94 |
| Overall gearing (times)   | 2.18  | 1.49 |
| Interest coverage (times) | 2.12  | 2.92 |

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

| Name of the Instrument    | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Term Loan | -                | -           | March 2034    | 213.91                        | CARE BBB; Stable                          |
| Fund-based - LT-Term Loan | -                | -           | March 2034    | 70.00                         | CARE BBB; Stable                          |

#### Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                  | Rating history                            |  |   |   |
|---------|--|-----------------|--------------------------------|------------------|---|--|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019                            | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Fund-based - LT-Term Loan              | LT              | 213.91                         | CARE BBB; Stable | 1) CARE BBB; Positive (05-Apr-19)         | 1) CARE BBB-; Stable (24-Aug-18)<br>2) CARE BBB-; Stable (13-Apr-18) | -   | -   |
| 2.      | Fund-based - LT-Term Loan              | LT              | 70.00                          | CARE BBB; Stable | -   | -  | -   | -   |

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

| Name of the Instrument  | Detailed explanation         |
|---|------------------------------|
| Covenants are to be stipulated for all term loans and these are required to be tested annually on the basis of Audited Balance sheet. Penal interest will be charged in case of breach of any two of the three parameters vis-à-vis values as approved by sanctioning authority in the sanction note. |                              |
| A. Financial covenants  | Benchmark for annual testing |
| I. DSCR   | 1.36                         |
| II. Interest coverage ratio   | 2.04                         |
| III. FACR   | 1.54                         |
| IV. Debt/EBITDA   | 9.94                         |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**



## India Home Loan Limited

April 07, 2020

## Ratings

| Facilities                | Amount<br>(Rs. crore)                     | Rating <sup>2</sup>  | Rating Action  |
|---------------------------|---|--|--|
| Long Term Bank Facilities | 200.00<br>(Rupees two hundred crore only) | <b>CARE BBB-; Negative<br/>(Triple B minus;<br/>Outlook: Negative)</b> | Rating Reaffirmed;<br>Outlook revised from<br>Stable |

Details of instruments/facilities in Annexure-I

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of India Home Loans Limited (IHLL) continues to factor in the resourcefulness of the promoters and investment by institutional investor, adequate capitalization with increase in leverage with growth in loan portfolio and average profitability.

The rating is constrained by nascent stage of operations and unseasoned loan portfolio, moderate asset quality on account of majority customers being in affordable housing segment having higher susceptibility to economic changes, moderate liquidity profile, geographical and builder loan portfolio concentration. Capitalization, growth in business while maintaining profitability and asset quality are the key rating sensitivities.

**Outlook: Negative**

The outlook has been revised to 'Negative' from 'Stable' on account of moderation in the liquidity profile of the company requiring the company to rely on refinance along with increase in leverage to grow its loan portfolio and moderation in asset quality.

The outlook may be revised to 'Stable' if the company is able to raise resources as the company envisages to help its liquidity profile and grow its loan portfolio with improvement in asset quality.

The ratings may be revised downwards in case the company is unable to raise resources as envisaged impacting the ability of the company to grow its loan book and impacting the profitability as well as deterioration in asset quality in the near term.

**Rating Sensitivities**

## Positive Factors

- Raising of resources to help the liquidity profile of the company
- Improvement in asset quality with Gross NPA ratio less than 2%, going forward
- Improvement in profitability with ROTA above 2.5% on a sustained basis, going forward
- Significant amount of capital infusion which would help the leverage and liquidity of the company helping the company scale up business

## Negative Factors

- Deterioration in asset quality with Gross NPA ratio above 5%, going forward
- Deterioration in capitalisation levels with overall gearing in excess of 5x, going forward
- Deterioration in profitability with rise in interest and credit costs on sustained basis
- Deterioration in liquidity profile of the company with constraints on raising funds

**Detailed description of the key rating drivers****Key Rating Strengths****Presence of resourceful promoters and strong investment by institutional investors**

The company is promoted by Mr. Mahesh Pujara who is the Chairman and Managing Director (CMD) of the company. The promoters held 38.38% shareholding in the company as on December 31, 2019 while JM Financial India Trust II-JM Financial India Fund II (AIF fund sponsored by JM Financial Limited) held 24.50% of the shareholding. Mr. Mahesh Pujara has 35 years of experience in financial services industry including over 9 years in affordable housing finance. He is accompanied by his son Mr. Mitesh Pujara, (Executive Director), has over 25 years of experience in financial sector.

**Adequate capitalisation with increasing gearing levels**

Given the nascent stage of company's operations, IHLL has adequate capitalization with capital adequacy ratio (CAR) of 39.45% (Tier I CAR: 28.14%) as on March 31, 2019 as compared to CAR of 29.67% (Tier I CAR: 29.18%) as on March 31, 2018. The overall gearing of the company stood at 5.01 times as on March 31, 2019 as compared to 4.66 times as on

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

March 31, 2018. The company's loan portfolio increased from Rs.178 crore as on March 31, 2018 to Rs.238 crore as on September 30, 2018 and declined to Rs.219 crore as on March 31, 2019, partly on account of PMAY subsidy of Rs.25.45 crore received in March, 2019.

During 9MFY20 (refers to period from April 01 to December 31), with slowdown in business, the company went slow on disbursements and did not raise additional debt. As result, the total borrowings declined to Rs.178 crore as on December 31, 2019.

During FY19 (refers to period from April 01 to March 31), the company issued 16 lakh warrants convertible to equity to group of investors which includes promoters, JM Financial India Fund II and others, aggregating to Rs.12.28 crore out of which it received Rs.3.07 crore in March, 2019. The pending Rs.9.21 crore is convertible within 18 months of issue of warrants.

The company plans to maintain long term overall gearing in below 5x and now has planned equity infusion of Rs.12.28 crore through issue of warrants which will help the company maintain it.

### Average profitability

The company saw increase in loan portfolio from Rs.178 crore as on Mar.31, 2018 to Rs.238 crore as on Sep.30, 2018. However, post that the company went slow on disbursements due to tightened liquidity conditions and rise in cost of borrowings. Further, the company received Credit Linked Subsidy (CLSS) in March, 2019 resulting in the loan portfolio declining to Rs.219 crore as on Mar.31, 2019. The interest income of the company grew from Rs.16.39 crore in FY18 to Rs.33.07 crore in FY19, however, the interest expenses increased significantly from Rs.6.92 crore for FY18 to Rs.21.77 crore for FY19 resulting in operating profit at similar level of Rs.4.72 crore (PY: Rs.4.76 crore) for FY19. The company saw increase in credit costs resulting the company reporting PAT of Rs.2.58 crore for FY19 as compared to PAT of Rs.2.96 crore for FY18. The company saw significant decline in disbursements during 9MFY20 resulting in decline in profit. The company reported PAT of Rs.1.16 crore on total income of Rs.24.31 crore during the period.

### Key Rating Weaknesses

#### Unseasoned portfolio

Although, IHLL has been disbursing loans from January 2010, majority of the disbursements took place in the last 2 to 3 years and hence has limited portfolio seasoning. The company has seen net loan portfolio increasing drastically from Rs.31.59 crore as on March 31, 2016 to 218.60 crore as on March 31, 2019. The company's asset quality performance through different economic cycles and geographies is yet to be established. **Deteriorating asset quality considering weaker credit profile of the target segment**

The company saw deterioration in asset quality parameters with rise in slippages during Q4FY19. Rise in slippages coupled with de-growth in loan portfolio resulted in increase in the NPA ratios as on March 31, 2019 with the Gross NPA Ratio of 4.04% and Net NPA Ratio of 3.25% vis-à-vis Gross NPA Ratio of 2.82% and Net NPA Ratio of 2.25% as on December 31, 2018. As on December 31, 2019 Gross NPA ratio stood at 4.28% and Net NPA ratio stood at 2.98% on account of additional slippages and net NPA to net worth ratio of 17.02%. The Gross NPA ratio in the housing loan portfolio stood at 3.83% while that in LAP portfolio stood at 0.45% while nil in builder loan portfolio.

#### Relatively weaker credit profile of the target segment

IHLL is primarily catering to the housing finance needs of the self-employed customers in the informal low and middle income segment who are not serviced by the banking sector. The proportion of Self Employed customers accounted for 80% of the IHLL's loan portfolio as on March 31, 2019. Since this segment is highly susceptible to the impact of economic downturn, asset quality remains to be the key monitorable. The Gross NPA has increased from Rs.4.43 crore as on March 31, 2018 to Rs.8.83 crore as on March 31, 2019 partly on account of decline in loan book post receipt of subsidy under PMAY scheme. The delinquency levels are expected to be significantly higher in the self-employed low income borrower category vis-à-vis the traditionally low delinquency levels observed in the salaried segment. Hence, HFCs catering to this segment would need to follow stricter underwriting standards and appropriately price the risk.

#### Geographical concentration

Though the company has presence in three states, it faces geographical concentration with 82.34% loan portfolio coming from Gujarat. As on December 31, 2019 the loan portfolio of the company is spread across three states viz. Maharashtra (16.44% of the o/s portfolio), Gujarat (82.34% of the o/s portfolio) and Rajasthan (1.22% of the o/s portfolio). Going forward, the company plans to expand its operations in Maharashtra and Rajasthan in order to mitigate geographical concentration risk to some extent.



**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Financial Sector](#)

[Rating Methodology- Housing Finance Companies](#)

**Liquidity: Adequate**

As per the asset liability maturity (ALM) profile as on December 31, 2019, the company has debt obligations of about Rs.58 crore for the next 1 year, against which it has loan receivables to the tune of Rs.34 crore. Thus, the company has reliance on refinance for maintaining liquidity profile. Further, the company has received sanction of refinance from NHB of Rs.20 crore out of which Rs.10 crore has been received in Q4FY20 and the remaining Rs.10 crore is expected to be received in Q1FY21 which would help the liquidity profile of the company in the near term. As on December 31, 2019, the company has cash and liquid investments of Rs.5.21 crore. The company plans to raise additional funds to refinance its debt as well as grow its loan portfolio and timely raising of debt would be a key rating factor for the company.

**About the Company**

IHLL was originally incorporated as 'Manoj Housing Finance Co. Ltd.' in 1990. New management under the leadership of Mr. Mahesh Pujara (having significant experience in the equity capital markets and real estate business over the last 25 years) took over the business of the loss making company in FY09 (refers to the period April 01 to March 31) and renamed the company as 'India Home Loan Limited'. IHLL operates through its head office in Mumbai and a central branch in Ahmedabad and has 10 spoke branches in Maharashtra, Gujarat and Rajasthan. The company is present in the affordable housing loan segment in the states of Gujarat, Maharashtra and Rajasthan with a loan portfolio of Rs.245.08 crore as on December 31, 2018. The company also provides loan against property (LAP) & builder/developer loans. Company's staff strength as on December 31, 2018 was 74.

| Brief Financials (Rs. crore)                      | FY18 (A) | FY19 (A) |
|---|----------|----------|
| Total income                                      | 16.70    | 33.59    |
| PAT (after share of profit and minority interest) | 2.96     | 2.58     |
| Gearing (times)                                   | 4.66     | 5.01     |
| Total Assets (adjusted for Intangible assets)     | 192.24   | 238.09   |
| Gross NPA (%)                                     | 2.49     | 4.04     |
| ROTA (%)  | 2.48     | 1.20     |

A: Audited

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| Name of the instrument    | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------|------------------|-------------|---------------|-------------------------------|---|
| Long Term Bank Facilities | -                | -           | 01-11-2029    | 200.00                        | CARE BBB-; Negative                       |

## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                     | Rating history                            |   |   |   |
|---------|--|-----------------|--------------------------------|---------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating              | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018   | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Fund-based-Long Term                   | -               | -                              | -                   |   |   | -   | -   |
| 2.      | Fund-based - LT-Term Loan              | LT              | 200.00                         | CARE BBB-; Negative | 1) CARE BBB-; Stable (01-Apr-19)          | 1)CARE BBB-; Stable (15-May-18)           | 1)CARE BBB-; Stable (21-Mar-18)<br>2)CARE BBB-; Stable (29-Aug-17)<br>3)CARE BBB-; Stable (03-Apr-17) | -   |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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**Ashiana Landcraft Realty Private Limited**  
**April 07, 2020**

**Ratings**

| S. No. | Instruments                   | Amount (Rs. crore)                                  | Rating <sup>3</sup>  | Rating Action   |
|--------|-------------------------------|---|--|---|
| 1      | Long-term Instruments- (NCDs) | 29.01<br>(Rs. Twenty Nine Crore and One Lakhs only) | <b>CARE D; ISSUER NOT COOPERATING*<br/>(Single D; ISSUER NOT COOPERATING*)</b> | Revised from CARE C; Stable; ISSUER NOT COOPERATING (Single C; Stable; ISSUER NOT COOPERATING) on the basis of best available information |
| 2      | Long-term Instruments- (NCDs) | 81.00<br>(Rs. Eighty One Crore only)                | <b>CARE D; ISSUER NOT COOPERATING*<br/>(Single D; ISSUER NOT COOPERATING*)</b> | Revised from CARE C; Stable; ISSUER NOT COOPERATING (Single C; Stable; ISSUER NOT COOPERATING) on the basis of best available information |

Details of instruments/facilities in Annexure-1

Details of instruments/facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the long term instruments (S. No. 1 & S. No. 2) of Ashiana Landcraft Realty Private Limited has been revised to CARE D; Issuer Not Cooperation. Instruments with this rating are either in default or expected to be in default soon.

CARE had earlier, vide its press release dated June 12, 2019, placed the rating(s) of Ashiana Landcraft Realty Private Limited (ALRPL) under the 'issuer non-cooperating' category as company had failed to provide adequate information for monitoring of the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

**Detailed description of the key rating drivers****Key Rating Weakness****Delay in servicing of debt obligation**

As informed by the debenture Trustee (DT), the company has delayed payment of interest on its non-convertible debentures on account of poor liquidity position. The company has lower collections from the project which are further impacted by nationwide lockdown in India to contain the spread of COVID-19.

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

**About the Company**

Incorporated in 2012, ALR is a joint development between Ashiana Homes Pvt Ltd (AHPL) and Landcraft Projects Private Limited (LPPL) formed solely for a premium real estate residential project development named 'The Center Court' located at Sector 88A, Gurgaon. LPPL was incorporated in 2007, and is the real estate vertical of Garg group with the presence in Ghaziabad. The group has developed more than 20.04 Isf of area with residential and commercial projects in Ghaziabad. AHPL was incorporated in 1987, with presence mostly in North India and has developed more than 55 Isf of area with 8 completed projects.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
| Total operating income       | 1.63     | 1.56     |
| PBILDT                       | 47.82    | 67.99    |
| PAT                          | (0.04)   | (0.34)   |
| Overall gearing (times)      | 16.86    | 22.43    |
| Interest coverage (times)    | 0.98     | 0.98     |

A: Audited

**Status of non-cooperation with previous CRA:** ICRA B-, Stable, Issuer Not Cooperating vide PR dated November 22, 2019

<sup>2</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments**

| Name of the Instrument  | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook  |
|---|------------------|-------------|---------------|-------------------------------|--|
| Debentures-Non Convertible Debentures (ISIN No.- INE509P08031 & INE509P08049) | March 31, 2014   | 8%          | 28/04/2023    | 29.01                         | CARE D; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Revised from CARE C; Stable; ISSUER NOT COOPERATING* on the basis of best available information |
| Debentures-Non Convertible Debentures (ISIN No.- INE509P07090)                | March 27, 2018   | 14%         | 27/03/2021    | 81.00                         | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE C; Stable; ISSUER NOT COOPERATING* on the basis of best available information    |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument                            | Current Ratings |                                |  | Rating history                            |  |   |  |
|---------|---|-----------------|--------------------------------|--|---|--|---|--|
|         |   | Type            | Amount Outstanding (Rs. crore) | Rating   | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020  | Date(s) & Rating(s) assigned in 2018-2019                         | Date(s) & Rating(s) assigned in 2017-2018                                |
| 1.      | Debentures-Non Convertible Debentures             | LT              | -                              | -  | -   | 1)Withdrawn (01-Apr-19)  | 1)CARE D (11-May-18)<br>2)CARE D (05-Apr-18)                      | 1)CARE D (14-Jul-17)<br>2)CARE BB (SO); Negative (05-May-17)             |
| 2.      | Debentures-Non Convertible Debentures             | LT              | 29.01                          | CARE D; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Revised from CARE C; Stable; ISSUER NOT COOPERATING* on the basis of best available information | -   | 1)CARE C; Stable; ISSUER NOT COOPERATING* (12-Jun-19)<br>2)CARE C; Stable (04-Apr-19)<br>3)CARE B-; Stable (01-Apr-19) | 1)CARE B+; Stable (11-May-18)<br>2)CARE BB-; Negative (05-Apr-18) | 1)CARE BB-; Negative (14-Jul-17)<br>2)CARE BB (SO); Negative (05-May-17) |
| 3.      | Fund-based - LT-Term Loan                         | LT              | -                              | -  | -   | 1)Withdrawn (01-Apr-19)  | 1)CARE B+; Stable (11-May-18)<br>2)CARE BB-; Negative (05-Apr-18) | 1)CARE BB-; Negative (14-Jul-17)<br>2)CARE BB (SO); Negative (05-May-17) |
| 4.      | Debentures-Optionally Fully Convertible Debenture | LT              | 10.00                          | CARE D; ISSUER NOT COOPERATING*<br>Issuer not cooperating;   | -   | 1)CARE D; ISSUER NOT COOPERATING* (12-Jun-19)<br>2)CARE D (04-Apr-19)<br>3)CARE B-; Stable (01-                        | 1)CARE B+; Stable (11-May-18)<br>2)CARE BB-; Negative (05-        | 1)CARE BB-; Negative (14-Jul-17)   |

| Sr. No. | Name of the Instrument                | Current Ratings |                                |   | Rating history                            |  |   |  |
|---------|---------------------------------------|-----------------|--------------------------------|---|---|--|---|--|
|         |                                       | Type            | Amount Outstanding (Rs. crore) | Rating  | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020  | Date(s) & Rating(s) assigned in 2018-2019                         | Date(s) & Rating(s) assigned in 2017-2018                            |
|         |                                       |                 |                                | Based on best available information   |   | Apr-19)  | Apr-18)   |  |
| 5.      | Debentures-Non Convertible Debentures | LT              | 81.00                          | CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE C; Stable; ISSUER NOT COOPERATING* on the basis of best available information | -   | 1)CARE C; Stable; ISSUER NOT COOPERATING* (12-Jun-19)<br>2)CARE C; Stable (04-Apr-19)<br>3)CARE B-; Stable (01-Apr-19) | 1)CARE B+; Stable (11-May-18)<br>2)CARE BB-; Negative (05-Apr-18) | 1)CARE BB-; Negative (23-Mar-18)<br>2)CARE BB-; Negative (19-Feb-18) |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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## Ernst &amp; Young LLP

April 7, 2020

## Ratings

| Facilities                                    | Amount<br>(Rs. crore)                                 | Rating <sup>4</sup>                                    | Rating Action   |
|---|---|--|---|
| Long-term Bank Facilities<br>– Non-fund based | 175.00<br>(enhanced from 87.50)                       | <b>CARE AA; Stable<br/>(Double A; Outlook: Stable)</b> | <b>Revised from CARE AA+;<br/>Stable (Double A Plus;<br/>Outlook: Stable)</b> |
| Short-term Bank Facilities<br>– Fund based    | 25.00   | <b>CARE A1+<br/>(A One Plus)</b>                       | <b>Assigned</b>   |
| <b>Total Facilities</b>                       | <b>200.00<br/>(Rupees Two Hundred<br/>crore only)</b> |  |   |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The revision in the long term ratings assigned to the bank facilities of Ernst & Young LLP (EYLLP) takes into account the elevated debt level over the past few years owing to its rising working capital requirements and investments made in subsidiaries/associates. The rating revision also factors in the highly competitive nature of the industry with low entry barriers limiting pricing flexibility and the working capital intensity of operations of the firm. The ratings, however, continue to derive strength from its established operations and brand name in the professional services business, experienced management, diversified client base and service offerings and comfortable financial risk profile characterised by consistent growth in scale, stable operational performance and robust debt coverage indicators. The ratings also continue to factor in EYLLP's strong pedigree of Ernst & Young Global (EYG). Being a member firm of EYG network, one of the Big 4 Professional Services firm in the world, EYLLP has access to the global network and extensive knowledge base of EYG.

**Key rating sensitivities****Positive Sensitivities:**

- Ability of the firm to increase its scale of its operations by 10%-15% annually from current levels while maintaining its market share amidst intense competition.
- Ability of the firm to enhance its PBILDT margin to more than 15% on a sustained basis from the current levels coupled with lower level of capital withdrawals resulting in an increase in the capital base.

**Negative Sensitivities:**

- Any increase in the collection period of more than 80 days leading to elongation in the operating cycle on a sustained basis.
- Any sizeable capital withdrawals undertaken impacting the capital structure with the overall gearing exceeding 1.20x on a sustained basis.
- Involvement of the firm in any adverse event leading to its de-affiliation from the global network amidst increasing strict controls by regulatory authorities, leading to high reputational and regulatory risk for the firm.

**Detailed description of the key rating drivers****Key Rating Strengths****Established operations and brand name in the advisory business**

EYLLP is an independent Indian member firm of EYG, an entity headquartered in London, which is one of the big four accounting firms in the world providing Assurance and Advisory Business Services, Tax and Transaction Advisory services. EYLLP has access to the global network and extensive knowledge base of EYG, thus, facilitating seamless and consistent provision of professional services to the clients.

**Comprehensive range of advisory and other services**

EYLLP provides management consultancy services and back office operations under multiple sub-service lines which primarily include People Advisory services, Business Advisory, International Taxation, Transaction Advisory and advisory related to Risk Assurance, Cyber Security, and Internal Controls, Insurance & Actuarial, Valuation and Business Modelling amongst others.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### Comfortable financial risk profile

The financial risk profile of EYLLP is comfortable characterized by stable operational performance, consistent growth in scale of operations, stable profitability and moderate debt coverage indicators. The debt levels of the firm and investment in its subsidiaries/ associate enterprises have increased over the past few years. Although with increasing capital base of the firm, the gearing levels have remained comfortable, albeit showing an increasing trend over the past few years.

### Liquidity position: Adequate

The liquidity profile of EYLLP is adequate with current ratio of 1.33x (PY: 1.38x) with unencumbered cash and liquid investments of Rs. 44.54 cr as on March 31, 2019. The overall gearing of the company stood at 0.65x as on March 31, 2019 and the capex requirements of the firm are modular, being engaged in the business of rendering services. The operating cycle of the company remains comfortable with the collection period of 67 days during FY19 and with moderate utilization of the sanctioned working capital limits.

### Key Credit Challenges

#### Competitive industry

Internationally, EYLLP faces stiff competition from other firms in the Big Four accounting firms in the world. Thus, given the nature of the advisory business, where the scale of operations and past experience are the key criteria in securing new assignments, EYLLP faces competitive pressures and pricing challenges. EYLLP also faces competition from smaller boutique firms which specialize in a particular area and compete with EYLLP in specific business lines.

**Analytical approach:** Standalone. The ratings, however, factor in EYLLP being member firm of Ernst and Young Global (EYG).

#### Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios - Non-Financial Sector](#)

[Rating Methodology - Service Sector](#)

[Criteria for short term instruments](#)

[Rating Methodology- Consolidation and Factoring Linkages in Ratings](#)

### About the Company

EYLLP is an independent Indian member firm of EYG. EYLLP provides professional services in the areas of consulting and advisory for tax, risk, performance and transactions to large global and Indian organizations and the government sector. EYLLP also provides knowledge and process support via its Global Shared Services (GSS) group, to the other member firms of EYG. EYLLP is one of the leading professional service providers in India in the domains of tax, transactions and advisory.

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

| Financial ratios               | FY18 (A) | FY19 (A) |
|--------------------------------|----------|----------|
| Growth in operating income (%) | 11.64    | 10.94    |
| Overall gearing (times)        | 0.72     | 0.65     |
| Current ratio (times)          | 1.38     | 1.33     |
| Interest coverage (times)      | 22.38    | 25.92    |

A: Audited

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

| Name of the Instrument         | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Non-fund-based-Long Term       | -                | -           | -             | 175.00                        | CARE AA; Stable                           |
| Fund-based - ST-Bank Overdraft | -                | -           | -             | 25.00                         | CARE A1+                                  |

## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                    | Rating history                            |   |   |  |
|---------|--|-----------------|--------------------------------|--------------------|---|---|---|--|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating             | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018                                    |
| 1.      | Non-fund-based-Long Term               | LT              | 175.00                         | CARE AA;<br>Stable | -   | 1)CARE AA+;<br>Stable<br>(01-Apr-19)      | -   | 1)CARE AA+;<br>Stable<br>(26-Mar-18)<br>2)CARE AA+;<br>Stable<br>(11-May-17) |
| 2.      | Fund-based-Short Term                  | ST              | -                              | -                  | -   | 1)Withdrawn<br>(01-Apr-19)                | -   | 1)CARE A1+<br>(26-Mar-18)<br>2)CARE A1+<br>(11-May-17)                       |
| 3.      | Fund-based - ST-Bank Overdraft         | ST              | 25.00                          | CARE A1+           | -   | -   | -   | -  |

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

| Name of the Instrument            | Detailed explanation   |
|-----------------------------------|--|
| <b>A. Financial covenants</b>     |  |
| 1. Bank guarantee                 | The tenure of the bank guarantee is up to 7 years (including claim period, if any).  |
| 2. OD limits                      | The limits also include sub-limits of the short term loan for working capital mismatches.  |
| <b>B. Non-financial covenants</b> |  |
| 1. Bank guarantee                 | The purpose of bank guarantee issuance towards meeting out the firm's performance/financial in lieu of advances/security deposits in favour of government departments. |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Emami Frank Ross Limited**
**April 07, 2020**
**Ratings**

| Facilities                | Amount (Rs. crore) | Ratings <sup>5</sup>                            | Rating Action |
|---------------------------|--------------------|---|---------------|
| Long-term Bank Facilities | 45.00              | CARE BBB; Stable<br>(Triple B; Outlook: Stable) | Reaffirmed    |

*Details of facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Emami Frank Ross Ltd (EFRL) continues to draw strength from the continued financial support from the Emami group and its promoters, and growing number of retail pharmacy outlets. The rating is, however, constrained by high debt levels, geographical concentration risk, weak financial performance in FY19 (refers to the period April 01 to March 31) and 9MFY20; albeit reduction in loss, capital intensive and working capital intensive nature of business.

**Key rating sensitivities**
**Positive factors**

- Turnaround in the business with company generating sufficient cash accruals to meet its debt repayment obligations on a sustained basis.
- Reduction of debt level

**Negative factors**

- Inability to infuse funds on timely manner by the promoter group

**Detailed description of the key rating drivers**
**Key Rating Strengths**
**Strong parentage and group support**

The Emami group has business interest in cosmetics, ayurvedic medicines, real estate, healthcare, retail, paper, cement, biodiesel, pharmacy and edible oil. The promoters of the group, Mr. R. S. Agarwal and Mr. R. S. Goenka, are professionals with business experience of about four decades. Over the years the promoters have demonstrated their support in EFRL by infusing unsecured loans from time to time to finance working capital requirement and fund the debt servicing obligation. Around 25% of the shares of EFRL are held by the investment companies of the group i.e. Bhanu Vyapaar Pvt Ltd (BVPL), Suntrack Commerce Pvt Ltd (SCPL) and Diwakar Viniyog Pvt Ltd (DVPL) which in turn hold shares of EL (31.37% of the EL's equity shares as on December 31, 2019). BVPL and DVPL have extended support in the form of pledge of shares of EL for the term loan raised and Debenture issued by EFRL.

Vide its announcement on the stock exchange dated Feb 06, 2020 the promoters of Emami Group have stated that they have entered into a binding agreement with Nuvoco Vistas Corporation Limited (NVCL, part of Nirma Group), for the divestment of 100% equity stake in Emami Cement Limited (ECL) for an enterprise value of Rs.5,500 crore. The transaction, subject to various approvals including from the Competition Commission of India, is expected to be completed by June 2020. Timely receipt of proceeds will lead to significant deleveraging at the group level and improve financial flexibility of the group.

**Growing number of retail pharmacy outlets with focus on strategic location**

Over the years, EFRL has established its brand 'Frank Ross' in West Bengal and Karnataka. Total number of pharmacies increased to 204 (26 owned and 168 on rented premises) as on December 2019 from 193 as on March 2019. The company closed down two of its owned loss making outlets in West Bengal and opened 12 rented outlets in West Bengal and 2 new stores in Karnataka in 9MFY20. With emphasis laid on opening stores in residential community to ensure demand stability, the company is also expanding in suburbs of West Bengal.

**Key Rating Weaknesses**
**High debt levels**

Total debt stood at Rs.372.02 crore as on March 31, 2019 vis-à-vis Rs.409 crore as on March 31, 2018. The company had redeemed outstanding NCD of Rs.118.94 crore in Q1FY20 (including premium on redemption of NCDs amounting to Rs.18 crore) and repayment/prepayment term loans of Rs.131 crore out of refund of advances which was extended to group companies, and infusion of unsecured loan. Hence, outstanding term loan reduced to Rs.98.25 crore as on December 31, 2019. In Q4FY20, a fresh NCD of Rs.400 crore was issued which was advanced to group entities. The promoters shall continue to provide support in meeting the debt repayment obligations of the company in the future as well.

**Geographical concentration risk**

Majority of the outlets of EFRL are located in WB (204 stores), with balance being present in the states of Karnataka, Tamil Nadu and Odisha. Hence, it is exposed to geographical concentration risk.

**Weak financial performance in FY19 and H1FY20; albeit reduction in loss**

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications



The total operating income witnessed a growth of 4.9% y-o-y in FY19 on account of increased revenue from both pharmacy and starmark division. Despite a marginal improvement in PBILDT margin in FY19, EFRL incurred a net loss of Rs.6.79 crore in FY19 (Rs.10.30 crore in FY18) on account of higher interest cost. Interest coverage ratio remained much below unity due to high interest outflow vis-à-vis PBILDT. With closure of loss making ventures and minimal store expansion in FY19 the company was able to reduce net loss from Rs.10 crore in FY18 to net loss of Rs.6.79 crore in FY19. The company earned a GCA of Rs.3.28 crore against a debt repayment obligation of Rs.53.94 crore in FY19. The shortfall in the debt repayment was met out of receipt of advances which was extended to group companies on account of stake sale by promoters in EL leading to cash inflow in the group.

In 9MFY20, EFRL earned PBILDT of Rs.11.85crore on a total operating income of Rs.330.54crore. However, the company continued to incur net loss of Rs.11.34crore in 9MFY20. Though the interest coverage ratio witnessed a improvement in 9MFY20 on account of significant reduction in debt, the same continued to remain below unity.

#### **Capital intensive and working capital intensive nature of business**

EFRL's business is working capital intensive on account of high level of inventory that is required to be maintained to ensure ready availability of stock at its stores both in Pharmaceuticals and Starmark format store. The inventory for the overall business increased in FY19 when compared to FY18 on account of addition of new stores in the pharmacy division in FY19 leading to increase in inventory levels for the division. The average inventory period increased from 73 days in FY18 to 76 days in FY19. However, the operation cycle witnessed an improvement from 81 days in FY18 to 76 days in FY19 on account of improvement in debtors' collection period. Further, the company has to incur capital expenditure for periodic renovation and opening up of new stores, leading to reliance on borrowings. EFRL spent approximately Rs.5.3crore on renovation and opening up of new stores during FY19. The company plans to have similar outflow towards capex in the medium term, to be funded out of promoters' funds/ loan.

#### **Liquidity analysis - Adequate**

The company has an adequate liquidity position despite lower GCA of Rs.3.28 crore in FY19 due to refund of advances which was extended to group companies to meet the debt repayment obligation and infusion of unsecured loans by promoters. EFRL has a cash and bank balance amounting to Rs.1.80crore as on December 31, 2019, however, the working capital utilisation remained high at around 95.98% during the last 12 months ending December 2019. Timely infusion of fund by promoters shall remain key rating monitorable.

**Analytical approach:** Standalone factoring in the strong group support.

#### **Applicable Criteria**

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating methodology – Organised Retail](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

#### **About the Company**

Emami Frank Ross Limited (EFRL), currently belonging to the Emami group of Kolkata, was established in 1906 as a proprietorship firm by one English man, Mr. Frank Ross. In 1919, it was converted into a public limited company and was rechristened as Frank Ross Limited (FRL). In 1993, FRL was acquired by the Emami Group. In 2008, FRL was merged into Emami Retail Pvt. Ltd. (a group company engaged in retailing of books, stationery, toys, school bags, etc. under the name 'Starmark'). The name of the merged entity was changed to EFRL. Mr R. K. Jatia, MD, has around three decades of experience in retail business. He is currently assisted by his son Mr Gautam Jatia, CEO, who is actively involved in the day-to-day affairs of the company.

| <b>Brief Financials (Rs. crore)</b> | <b>FY18 (A)</b> | <b>FY19 (A)</b> |
|-------------------------------------|-----------------|-----------------|
| Total operating income              | 386.82          | 405.81          |
| PBILDT                              | 11.60           | 14.43           |
| PAT                                 | -10.30          | -6.79           |
| Overall gearing (times)             | NM              | NM              |
| Interest coverage (times)           | 0.33            | 0.38            |

A: Audited

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of facilities**

| Name of the Instrument       | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT- Cash Credit | -                | -           | -             | 45.00                         | CARE BBB; Stable                          |

**Annexure-2: Rating History for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                  | Rating history                            |   |   |   |
|---------|--|-----------------|--------------------------------|------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Fund-based - LT- Term Loan             | LT              | -                              | -                | -   | -   | -   | 1)Withdrawn (13-Oct-16)                   |
| 2.      | Fund-based - LT- Cash Credit           | LT              | 45.00                          | CARE BBB; Stable | -   | 1)CARE BBB; Stable (28-Mar-19)            | 1)CARE BBB; Stable (01-Mar-18)            | 1)CARE BBB (13-Oct-16)                    |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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Email ID: [lalit.sikaria@careratings.com](mailto:lalit.sikaria@careratings.com)**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**Azure Power India Private Limited**

April 07, 2020

**Ratings**

| Facilities                           | Amount<br>(Rs. crore)   | Rating <sup>6</sup>   | Rating Action     |
|--------------------------------------|---|---|-------------------|
| Long-term Bank Facilities            | 1382.74<br>(enhanced from 1367.46 )   | <b>CARE A+; Stable</b><br><b>(Single A Plus; Outlook: Stable)</b>                     | <b>Reaffirmed</b> |
| Long-term/Short-term Bank Facilities | 975.00<br>(reduced from 1100 )  | <b>CARE A+; Stable/CARE A1+</b><br><b>(Single A Plus; Outlook: Stable/A One Plus)</b> | <b>Reaffirmed</b> |
| <b>Total Bank Facilities</b>         | <b>2357.74</b><br><b>(Rupees Two thousand three hundred fifty seven crore and seventy four lakh only)</b> |   |                   |

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities and instruments of Azure Power India Private Limited (APIPL) continue to derive strength from the company's position as one of the leading players in the solar power segment in India, its diversified project portfolio with commissioned capacity of 1724 MW as on January 2020, around 60% exposure of its commissioned capacity towards relatively stronger off-takers including Solar Energy Corporation of India (SECI), Gujarat Urja Vikas Nigam Limited (GUVNL, rated CARE AA-; Stable, CARE A1+), NTPC Limited (rated CARE AAA; Stable, CARE A1+) and NTPC Vidyut Vyapar Nigam Limited (NVVN), along with satisfactory operating performance of the commissioned capacity. The ratings also derive comfort from presence of resourceful international promoters in APIPL's parent company, Azure Power Global Limited (APGL), a US-based entity listed on NYSE) with single largest majority equity stake held by Caisse de depot et placement du Quebec (CDPQ), a large Canadian pension fund, along with other key investors like IFC and Helion Venture Partners. The rating factors in the group's track record of raising significant amount of equity capital from reputed investors, moderately comfortable financial risk profile and debt coverage indicators, long-term revenue visibility arising out of long-term power purchase agreements (PPAs) for operational capacity of the group under various subsidiaries, experienced management with established track record of commissioning the projects and stability of generation from its operating assets and adequate liquidity position.

The ratings are, however, constrained by the company's large expansion plans subsequent to winning a large manufacturing linked tender for capacity building of 4 GW solar projects and manufacturing of solar modules plant equivalent to 1 GW capacity that would demand sizeable capital investments over next five years besides exposure to inherent project implementation and stabilization risks. The rating also considers refinancing risk pertaining to USD-denominated bonds aggregating USD 850 million (~Rs.5625 crore) and NCDs issued by APIPL which are non-amortizing in nature, high exposure to debt capital market instruments requiring dependence on timely receipt of payments from all the off-takers which has become uncertain given current disruption in Indian power sector due to COVID-19 pandemic related national level lockdown, exposure to forex fluctuation risk on un-hedged borrowings, technological risks, regulatory and policy risk, interest rate fluctuation risk, counterparty credit risks as revenue of underlying SPVs is dependent upon multiple state electricity distribution companies (discoms) having moderate to weak financial risk profile and dependence on climatic conditions of solar power generation business.

Additionally, in short to medium term, payment patterns from majority of the state discoms is expected to be uncertain and erratic given current disruption in Indian power sector due to COVID- 19 pandemic related national level lock down significantly impacting the power demand across India. Though the renewable energy projects enjoy a 'must-run' status, timely receipt of payments would be crucial from cash flows perspective. Also, timely meeting of repayments for projects availing debt funding via debt capital market instruments could be a challenge and will remain a key monitorable given the uncertain payment patterns of various state discoms and SECI/NTPC/NVVN.

**Key Rating Sensitivities:**
**Positive Factors**

- Completion of under construction pipeline without any cost and time over-runs, satisfactory progress on implementation of capacities recently won under manufacturing linked tender
- Timely tie-up of funds (equity and debt) pertaining to the under implementation project pipeline
- Achievement of generation at better than P-90 levels for operational portfolio on sustained basis
- Sustained improvement in operating cash flows of the company at both consolidated and standalone level with timely commissioning of under construction projects
- Significant improvement in capital structure of the company leading to overall gearing ratio of less than 2.00x at

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

consolidated levels

#### Negative Factors:

- Significantly lower than envisaged CUF levels for various operational projects on consolidated level negatively impacted debt coverage indicators
- Elongation in receivable cycle of various operational projects impacting the overall liquidity profile of the project SPVs and holding company
- Inability or delay in fund raising for meeting requirements of under-construction project pipeline of 5.3 GW (spread over 5 years) and module manufacturing facilities of 1 GW
- Inability of the company to refinance USD bonds in a timely manner or at unfavorable terms negatively impacting financial risk profile of the group
- Deterioration in capital structure of the company leading to overall gearing ratio increasing to more than 3.5x at consolidated levels at consolidated level
- Significant appreciation of module prices and/or depreciation of INR negatively impacting the profitability for project pipeline as the tariffs are fixed

#### Detailed description of the key rating drivers

##### Key Rating Strengths

**Experienced and resourceful promoters, majority shareholding held by strong investor viz. CDPQ and IFC:** APIPL is the flagship company of Azure Power Global Limited (APGL) which is listed on NYSE and primarily held by reputed investors like Caisse de dépôt et placement du Québec (CDPQ), International Finance corporation (IFC), Helion Venture Partners and other investors. Also, since investing in APGL in October 2016, CDPQ a large Canadian pension fund; has been increasing its shareholding in APGL and the same stood at 50.90% as on March 2020. APIPL is a leading solar independent power producer (IPP) in India. The company owns and operates solar power plants across India. APIPL is being managed by an experienced and professional management which is currently being headed by Mr. Ranjit Gupta, CEO of APIPL who has joined APIPL in FY20.

In May 2019, the company announced that Mr. Inderpreet Wadhwa retired from his position as CEO and Chairman and member of the Board of Directors of Azure Power following which, in July 2019, the company appointed Mr. Ranjit Gupta as CEO and Mr. Murali Subramanian as president (Now COO) of the company. Both Mr. Gupta and Mr. Subramanian are experienced professionals with significant prior experience in India's renewable energy sector, both having co-founded a start-up renewable enterprise and grown into one of the leading renewable energy companies in India.

Since August 2019, the company has discontinued its strategy of carrying out in-house EPC and O&M of its projects. The project SPVs are empowered to award construction packages and O&M to third parties.

**Diversified project portfolio and satisfactory operational performance:** In March 2020, the company had operational capacity of 1724 MW (1,441 MW operational capacity in March 2019) making APIPL one of the largest renewable IPPs in India. The company's portfolio of solar power assets is diversified in terms of project location as well as off-takers. The operating performance of the various operational projects under the company's SPVs in terms of capacity utilization factor (CUF) and payments from the off-takers has been largely stable, so far. Nevertheless, achievement of CUF levels in-line with envisaged would remain a key monitorable, going forward.

**More than 60% capacity tied-up with relatively stronger counterparties, however, uncertainty around payment patterns given COVID-19 lock down:** More than half of operational capacity of 1724 MW is tied-up with relatively strong counterparties including NTPC Vidyut Vyapar Nigam Ltd. (NVTN), Solar Energy Corporation of India (SECI), NTPC Ltd. (rated CARE AAA; Stable) and Gujarat Urja Vikas Nigam Ltd. (GUVNL, rated CARE AA-; Stable/ CARE A1+). Besides, a significant portion of the under-development capacity (around 98%) is with strong off-taker viz. SECI which is likely to improve the project mix going forward. However, around 39% of operational portfolio has long-term PPAs with various state discoms which have weak to moderate financial risk profiles thus timely receipt of tariff payments in future would be crucial.

Moreover, given the current lock down on account of COVID-19 spread, there could be a short to medium term disruption in timely release of payments by a majority of the off-takers as the overall power demand from industrial consumers is reduced significantly thereby impacting the cash flow position of all the state discoms. Additionally, given that relatively stronger off-takers like NTPC, NVTN and SECI have back-to-back arrangements with state discoms, payment pattern of these off-takers may also get impacted.

##### Comfortable operating performance and liquidity position; moderately comfortable overall gearing on combined basis:

The company's total operating income on combined basis grew by 23.74% and stood at Rs.2,765.87 crore during FY19. Also the company's PBILDT margin on combined basis remained stable at 39.39% during FY19 (FY18: 40.99%).

In December 2020, APIPL raised equity of USD 75 million (~Rs.525 crore) via private placement through CDPQ, led to a comfortable liquidity position at the consolidated level as on December 31, 2019 with unrestricted cash & liquid



investments of Rs.1069 crore (including funds raised in December 2019 itself). The said funds are primarily available for equity infusion in various under construction projects.

The company's overall gearing on combined basis has also improved to 2.16x as on March 31, 2019 as against 2.51x as on March 31, 2018. Going forward the overall gearing at combined level is expected to remain high considering majority of the projects are being funded in debt equity ratio of 3:1 but expected to remain range bound between 2.5-3x in next 3 years. The company also plans to avail corporate debt in FY21, the proceeds of which would also be utilized to fund under-implementation projects.

### **Industry Outlook**

The Government's policy initiatives for improving the share of solar power in India's overall power mix reflect its significant thrust on the sector. There had been muted solar power generation capacity additions during FY19 and H1FY20 on the back of imposition of safeguard duty on import of solar modules, lack of clarity w.r.to GST rate on solar modules and cancellation of large amount of solar auctions. However, looking at the already allotted capacity and govt.'s push for achieving targeted solar capacity of 100 GW by end FY22, capacity additions are likely to improve in next two to three years.

Solar projects have relatively lower execution risks, stable long term revenue visibility with long term off take arrangements at a fixed tariff, minimal O&M requirements, tariffs comparable to conventional power generation, must run status of solar power projects and upward revision in solar RPO achievement targets. However, there are concerns like increased difficulties in land acquisition, inadequate grid connectivity on account of poor evacuation infrastructure, relatively lesser track record of technology in Indian conditions, lack of stricter RPO enforcement by the state regulators, very high dependence on imported solar cells and modules, regulatory haze in terms of renegotiation of tariff in concluded PPAs and cancellation of concluded auctions, weak financial risk profile of Discoms with significant delays in payment by few state discoms, increased difficulties in debt tie-up. Overall, positive and negative developments in the sector counterbalance each other, thereby resulting in a stable outlook.

Going forward key monitorables would be prices of solar modules, performance of the modules in Indian conditions, developments in claim of off-takers for renegotiation of PPAs, modalities to compensate under change in law for safeguard duty, payment pattern of off-takers, imposition of any anti-dumping duty by India to safeguard domestic solar module manufacturers, capacity additions of rooftop solar and regulatory stance.

### **Key Rating Weaknesses**

**Large expansion plans:** APIPL has a pipeline of around 5.3 GW of solar projects and 1 GW of module manufacturing plants as on March 2020. The under-implementation pipeline of 5.3 GW includes 4 GW of solar projects won under manufacturing-linked tender at a fixed tariff of Rs.2.92/kWh. The company had initially won 2 GW of solar projects under the said bid along with construction of module manufacturing plant of 500 MW capacity. However, the tender had the option of exercising a green shoe option which APIPL has exercised. The company plans to construct the 4 GW capacity in phases over a period of next 4-5 years. The company proposes to enter into JVs with domestic Indian module manufacturers to set-up module manufacturing plants having a capacity of 1 GW. APIPL plans to have a 26% shareholding in the Joint Ventures (JVs) and will be acting as a financial investor with risks related to construction, operations, distribution, financing etc. to be taken care by the JV partners. The company also has another 1.3 GW of under construction solar projects (apart from 4 GW recently won) which are expected to be completed in next 1 year or so.

The capital requirement for the expansion plan in terms of equity contribution would be significant (total equity requirement of more than Rs.5500 crore given current pipeline of projects spread over five years). The group has already infused some part of equity contribution (for 1.3 GW under construction capacity) and has Rs. 1069 crore as unrestricted cash balances and liquid investments available for sponsoring residual equity commitments for under construction projects as on December 31, 2019. However, the company will be in continuous requirement of timely raising of funds to meet the future expansion plans. While the company has a track-record of raising funds in the past, continuance of mobilization of funds in a timely manner for its expansion plans going forward along with long-term commitment from investors remains crucial as capex plans span across next 5-6 years. Also, infusion of any need based support from the investors would be crucial to take care of unforeseen issues including possible payment delays from various off-takers.

Besides, given its huge pipeline of projects, the company would also be exposed to execution risk as it would need to avail various approvals in a timely manner including land acquisition and evacuation etc., along with timely completion of financial closure. Additionally, though APIPL plans to act only as a financial investor in module manufacturing, the tariff of Rs.2.92/kWh for 4 GW capacity would be dependent upon timely completion of 1 GW of module manufacturing units along with production of modules in-line with minimum quality standards as specified in bidding documents.

**Exposed to refinancing risk:** In September 2019, the company raised their second green bond of USD 350 million (~Rs.2500 crore). The said bond has a tenor of 5.25 years and is a non-amortizing bond having bullet repayment structure. This exposes the company to refinancing risk associated with two international green bonds viz. USD 500 million (raised earlier in August 2017 having bullet repayment in November 2022) and USD 350 million (bullet repayment in December 2024) both of which are under non-amortizing structure. However, the same is mitigated to some extent as both the green bonds are backed by project cash flows. Additionally, the company is exposed to refinancing risk in the near term associated with Rs.150 crore Non-Convertible Debenture (NCD) which will be due for repayment in February 2021. On the



other hand, the non-amortizing nature of the green bonds would result in generation of surplus cash after servicing of coupon payments.

**Exposure to fluctuation in forex and module prices:** As on March 2020, 3.4% of total debt outstanding at consolidated level was un-hedged which relates to debt undertaken at SPV level for initial projects of 35 MW capacity. The forex exposure on account of USD bonds has been hedged for the full tenor of the bond through a call option at a strike price of Rs. 90 per USD for USD 500 million bond and at Rs. 93 per USD for USD 350 million bond. Also, the company would be exposed to any appreciation in module prices as the overall tariff for under implementation 4 GW capacity has been fixed at 2.92/kWh. Any significant appreciation in module prices would lead to weakness in debt coverage indicators impacting consolidated financial risk profile of APIPL.

**Regulatory, climatic & technological risks:** The company operates solar power projects under various state and national level schemes with presence across various states including Punjab, Maharashtra Andhra Pradesh, Telangana, Karnataka Uttar Pradesh, Gujarat, Rajasthan Delhi and Chattisgarh. This exposes the company to uncertainties and unfavorable changes in policies across various states and national level as well.

Besides, achievement of desired CUF is subject to changes in climatic conditions, amount of degradation of modules as well as other technological risks.

**Interest rate fluctuation risk:** The company is exposed to increase in interest rate going forward, due to fully floating nature of interest on term loan availed by APIPL and its subsidiaries. Tariffs at an SPV level are fixed rate in nature leading to a potential mismatch and the possibility of squeeze in margins. Additionally, 1268.5 MW of capacity is under international bond wherein the rate of interest is fixed till the maturity of bonds, thereby reducing the interest fluctuation rate to certain extent for 1268.5 MW of capacity.

#### Liquidity Analysis: Strong

The company's liquidity position remains strong with free (unrestricted) cash & liquid investments of Rs.1069 crore on consolidated level as on December 31, 2019. The company continue to receive equity funding in multiple tranches from existing investors with latest equity round completed in December 2020 of USD 75 million (~Rs.525 crore). Furthermore, most of the projects have DSRAs of 2 quarters to take care of cash flow mismatches.

On consolidated basis, the company is expected to generate Gross Cash Accruals (GCA) of Rs.544 crore and Rs.531 crore as against scheduled debt repayments of around Rs.278 crore and Rs.250 crore, respectively.

#### **Analytical approach:**

Consolidated. CARE has consolidated the operational and financial profile of APIPL and its project SPV's. Earlier, the approach was combined as the income and profits from inter-segment EPC and O&M elimination were included in combined financials. However, since the company is no longer doing in-house EPC activities, the approach has been changed to consolidated.

List of all the companies getting consolidated under APIPL are shown in Annexure 3.

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments Rating](#)

[Methodology: Infrastructure Sector Ratings Rating Methodology:](#)

[Private Power Producers](#)

[Financial Ratios - Non-Financial Sector](#)

#### **About the Company**

APIPL incorporated in February 2008, is engaged in development of grid connected as well as roof top solar photo voltaic (PV) power projects. The company is one of the early entrants and a leading solar power developer in India with 1.8 GW of operational solar power capacity spread in states of Punjab, Rajasthan, Gujarat, Uttar Pradesh, Karnataka, Andhra Pradesh, Bihar, Telangana, Delhi, Maharashtra and Chhattisgarh states as on March 2020. Furthermore, 5.3 GW of solar capacity is at various stages of development as on March 2020 out of which 4 GW pertains to the capacity won under manufacturing linked tender wherein LOI has been awarded for 2 GW capacity and the company has decided to execute the green shoe option available thereby increasing the project awarded to 4 GW (LOI yet to be awarded for additional 2 GW capacity). Out of 1.8 GW operational capacity, 342 MW is directly under APIPL.

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-4

| <b>Brief Financials– APIPL (Standalone; Rs. crore)</b> | <b>FY18 (A)</b> | <b>FY19 (A)</b> |
|--|-----------------|-----------------|
| Total operating income                                 | 1608.80         | 1907.56         |
| PBILDT   | 311.41          | 369.22          |
| PAT  | 94.46           | 88.13           |
| Overall gearing (times)                                | 0.59            | 0.61            |
| Interest coverage (times)                              | 2.33            | 2.07            |

A: Audited

| <b>Brief Financials– APIPL (Consolidated; Rs. crore)</b> | <b>FY18 (A)</b> | <b>FY19 (A)</b> |
|--|-----------------|-----------------|
| Total operating income                                   | 846.09          | 1114.00         |
| PBILDT   | 663.48          | 866.30          |
| PAT  | -181.94         | -74.65          |
| Overall gearing (times)                                  | 4.50            | 3.42            |
| Interest coverage (times)                                | 1.11            | 1.34            |

A: Audited

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| <b>Name of the Instrument</b>           | <b>Date of Issuance</b> | <b>Coupon Rate</b> | <b>Maturity Date</b> | <b>Size of the Issue (Rs. crore)</b> | <b>Rating assigned along with Rating Outlook</b> |
|---|-------------------------|--------------------|----------------------|--------------------------------------|--|
| Fund-based - LT-Term Loan               | -                       | -                  | Mar-32               | 209.74                               | CARE A+; Stable                                  |
| Non-fund-based - LT/ ST-Bank Guarantees | -                       | -                  | -                    | 975.00                               | CARE A+; Stable / CARE A1+                       |
| Fund-based/Non-fund-based-LT/ST         | -                       | -                  | -                    | 0.00                                 | Withdrawn  |
| Fund-based - LT-Term Loan               | -                       | -                  | Jun-38               | 600.00                               | CARE A+; Stable                                  |
| Fund-based - LT-Term Loan               | -                       | -                  | Jun-36               | 573.00                               | CARE A+; Stable                                  |
| Debentures-Non Convertible Debentures   | December 09, 2019       | 10.50%             | February 08, 2021    | 150.00                               | CARE A+; Stable                                  |

## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities          | Current Ratings |                                |                            | Rating history   |  |   |   |
|---------|---|-----------------|--------------------------------|----------------------------|--|--|---|---|
|         |   | Type            | Amount Outstanding (Rs. crore) | Rating                     | Date(s) & Rating(s) assigned in 2019-2020  | Date(s) & Rating(s) assigned in 2018-2019  | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Fund-based - LT-Term Loan                       | LT              | 209.74                         | CARE A+; Stable            | 1)CARE A+; Stable (10-Jul-19)<br>2)CARE A+; Stable (05-Apr-19)                       | 1)CARE A+; Stable (22-Aug-18)<br>2)CARE A+; Stable (03-Jul-18)<br>3)CARE A+; Stable (06-Apr-18)                                  | 1)CARE A-; Stable (15-May-17)             | 1)CARE BBB (13-May-16)                    |
| 2.      | Non-fund-based - LT/ ST-Bank Guarantees         | LT/ST           | 975.00                         | CARE A+; Stable / CARE A1+ | 1)CARE A+; Stable / CARE A1+ (25-Jun-19)<br>2)CARE A+; Stable / CARE A1+ (05-Apr-19) | 1)CARE A+; Stable / CARE A1+ (22-Aug-18)<br>2)CARE A+; Stable / CARE A1+ (03-Jul-18)<br>3)CARE A+; Stable / CARE A1+ (06-Apr-18) | 1)CARE A-; Stable / CARE A2+ (15-May-17)  | 1)CARE BBB / CARE A3+ (13-May-16)         |
| 3.      | Fund-based/Non-fund-based-LT/ST                 | LT/ST           | -                              | -                          | 1)CARE A+; Stable / CARE A1+ (05-Apr-19)   | 1)CARE A+; Stable / CARE A1+ (22-Aug-18)<br>2)CARE A+; Stable / CARE A1+ (03-Jul-18)   | -   | -   |
| 4.      | Debt-Non-convertible Debenture/Subordinate Debt | LT              | -                              | -                          | 1)Withdrawn (16-Dec-19)<br>2)CARE A+; Stable (05-Apr-19)                             | 1)CARE A+; Stable (22-Aug-18)  | -   | -   |
| 5.      | Fund-based - LT-Term Loan                       | LT              | 600.00                         | CARE A+; Stable            | 1)CARE A+; Stable (05-Apr-19)  | 1)CARE A+; Stable (22-Aug-18)  | -   | -   |
| 6.      | Fund-based - LT-Term Loan                       | LT              | 573.00                         | CARE A+; Stable            | 1)CARE A+; Stable (10-Jul-19)  | -  | -   | -   |
| 7.      | Debentures-Non Convertible Debentures           | LT              | 150.00                         | CARE A+; Stable            | 1)CARE A+; Stable (16-Dec-19)  | -  | -   | -   |

**Annexure-3: List of subsidiaries getting consolidated under APIPL as on March 31, 2019**

|  | Shareholding in below companies as on<br>March 31, 2019 |
|--|---|
| Azure Power (Punjab) Private Limited       | 99.99%  |
| Azure Power (Haryana) Private Limited      | 96.97%  |
| Azure Solar Private Limited                | 99.99%  |
| Azure Power (Rajasthan) Private Limited    | 99.99%  |
| Azure Solar Solutions Private Limited      | 99.99%  |
| Azure Sun Energy Private Limited           | 99.99%  |
| Azure Urja Private Limited                 | 99.99%  |
| Azure Surya Private Limited                | 99.99%  |
| Azure Power (Karnataka) Private Limited    | 99.99%  |
| Azure Photovoltaic Private Limited         | 99.99%  |
| Azure Power Infrastructure Private Limited | 99.99%  |
| Azure Power (Raj.) Private Limited         | 99.99%  |
| Azure Green Tech Private Limited           | 99.99%  |
| Azure Renewable Energy Private Limited     | 99.99%  |
| Azure Clean Energy Private Limited         | 99.99%  |
| Azure Sunrise Private Limited              | 99.99%  |
| Azure Sunlight Private Limited             | 99.99%  |
| Azure Sunshine Private Limited             | 99.99%  |
| Azure Power Earth Private Limited          | 99.99%  |
| Azure Power Eris Private Limited           | 99.99%  |
| Azure Power Jupiter Private Limited        | 66.67%  |
| Azure Power Makemake Private Limited       | 99.99%  |
| Azure Power Mars Private Limited           | 99.99%  |
| Azure Power Mercury Private Limited        | 99.99%  |
| Azure Power Pluto Private Limited          | 51.63%  |
| Azure Power Uranus Private Limited         | 99.99%  |
| Azure Power Venus Private Limited          | 99.99%  |
| Azure Power Saturn Private Limited         | 99.99%  |
| Azure Power Thirty Three Private Limited   | 99.99%  |
| Azure Power Thirty Four Private Limited    | 99.99%  |
| Azure Power Thirty Five Private Limited    | 99.99%  |
| Azure Power Thirty Six Private Limited     | 99.99%  |
| Azure Power Thirty Seven Private Limited   | 95.22%  |
| Azure Power Thirty Eight Private Limited   | 99.99%  |
| Azure Power Thirty Nine Private Limited    | 99.99%  |
| Azure Power Forty Private Limited          | 99.99%  |
| Azure Power Forty One Private Limited      | 99.99%  |
| Azure Power Forty Two Private Limited      | 99.99%  |
| Azure Power Forty Three Private Limited    | 99.99%  |
| Azure Power Forty Four Private Limited     | 99.99%  |
| Azure Power Forty Five Private Limited     | 99.99%  |
| Azure Power Forty Six Private Limited      | 99.99%  |
| Azure Power Forty Seven Private Limited    | 99.99%  |
| Azure Power Forty Eight Private Limited    | 99.99%  |
| Azure Power Forty Nine Private Limited     | 99.99%  |
| Azure Power Fifty Private Limited          | 99.99%  |
| Azure Power Green Private Limited          | 99.99%  |
| Azure Power Maple Private Limited          | 99.99%  |
| Azure Power Inc.                           | 100.00%   |

**Annexure-4: Detailed explanation of covenants of the rated instrument / facilities**

| Details of instrument - NCD                      | Detailed explanation   |
|--|--|
| <b>A. Financial covenants</b>                    |  |
| I Debt Service Coverage Ratio                    | The Debt Service Coverage Ratio calculated on a standalone basis for the Issuer for any Testing Period shall not be less than 1.10x  |
| II Market Capitalization                         | The market capitalization of Azure Power Global Limited shall not fall below USD 200 million   |
| III Consolidated Net Debt to EBITDA              | The Consolidated Net Debt of the Issuer calculated on a consolidated basis for the Issuer, excluding the Non-Project Related Debt of the Issuer shall not exceed 6 times the Generation EBITDA on a cumulative basis   |
| <b>B. Non-financial covenants</b>                |  |
| I Change in Management and Board of Directors    | The borrower shall not, without prior approval of the lender change the composition of the Board which would amount to occurrence of a Change in Control Event   |
| II Any borrowing arrangement                     | The borrower shall not, without prior approval of the lender provide any Financial Indebtedness to any Person or guarantee obligations of any Person or make any Restricted Payments, provided that, so long as no Payment Default has occurred and is subsisting, the Issuer may extend Financial Indebtedness or make Restricted Payments to any of the companies within the Azure Group |
| <b>Details of instrument – Bank Facilities</b>   |  |
| <b>A. Financial covenants</b>                    |  |
| I Debt Service Coverage Ratio                    | Consolidated Debt Service Coverage Ratio for each operation year to be minimum of 1.10x  |
| II Total Outside Liability to Tangible Net Worth | TOL/TNW of the borrower on consolidated basis not to exceed 5:1 for the tenor of the loan  |
| III Maximum Total Debt/EBITDA (standalone)       | For FY19- 12x ; For FY20- 8x   |
| IV Maximum Total Debt/TNW (standalone)           | For FY19 and FY20- 2x  |
| <b>B. Non-financial covenants</b>                |  |
| I New business/New Project                       | Company to undertake that it shall not undertake any new business/project in APIPL without prior written approval from lenders of the project which shall not be unreasonably withheld   |
| II Dilution of stake                             | Sponsor to undertake that (i) it shall not dilute any stake (directly/indirectly) in the borrower below 51% during the tenor of the facility without prior approval of the lenders subject to no dilution in stake in case of Event of default.  |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**



**JSW Severfield Structures Limited**

April 07, 2020

**Ratings**

| Facilities   | Amount (Rs. crore)   | Rating <sup>7</sup>  | Rating Action |
|--|--|--|---------------|
| Long term Bank Facilities-Cash Credit                          | 95.00<br>(enhanced from 90.00)   | CARE BBB+; Stable<br>(Triple B Plus;<br>Outlook: Stable)                             | Reaffirmed    |
| Long term Bank Facilities-Bank guarantee                       | 263.00   | CARE BBB+; Stable<br>(Triple B Plus;<br>Outlook: Stable)                             | Reaffirmed    |
| Short term Bank Facilities-LC                                  | 380.00<br>(enhanced from 100.00)   | CARE A3+<br>(A Three Plus)   | Reaffirmed    |
| Long-term/Short-term Bank Facilities-fund based/non-fund based | 160.00   | CARE BBB+; Stable<br>/ CARE A3+<br>(Triple B Plus; Outlook: Stable/<br>A Three Plus) | Reaffirmed    |
| <b>Total</b>   | <b>898.00</b><br><b>(Rs. Eight Hundred Crores and Ninety Lakhs Only)</b> |  |               |

*Details of facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The reaffirmation of the ratings assigned to the bank facilities of JSW Severfield Structures Limited (JSSL) continues to derive strength from prominent promoters with a well-established position in steel and construction industries, continued financial support from the promoters in form of equity infusion, demonstrated project execution capabilities, improvement in its financial and operational performance along with improvement in gearing levels & debt coverage metrics.

The ratings further take into account the strong order-book position which provides short-medium term revenue visibility as well as demand potential in view of inherent benefits of Fabricated Structural Steel (FSS) over reinforced concrete.

The ratings, however, are constrained by its working capital intensive nature of operations, susceptibility to raw material price volatility due to fixed-price nature of contracts and low acceptance of FSS products in Indian construction market.

Ability of the company to timely execute its work orders coupled with timely collection of receivables as well as successful operationalization of the enhanced capacity would be key rating monitorable.

**Rating Sensitivities**

These indicate broad level of operating and/ or financial performance levels that could trigger a rating change, upward or downward.

**Positive Factor:**

- Operationalization of the enhanced capacity leading to growth in scale of operations and cash flows, with maintenance of PBILDT margins at current levels
- Interest coverage ratio above 5.00x

**Negative Factor:**

- Deterioration in the overall gearing levels above 2.00x on a continuous basis.
- Any deterioration in the liquidity profile of the company owing to any significant increase in receivables or inventory levels
- Any unforeseen debt-funded capex/ acquisition

**Detailed description of the key rating drivers**
**Key Rating Strengths**
**Prominent promoters and experienced management; continued financial support from the promoters**

JSSL is a 50:50 JV company of JSW Steel Limited (JSWSL, rated CARE AA-; Stable/CARE A1+) and Severfield Rowen Mauritius Limited (SRML), a wholly-owned subsidiary of Severfield Plc. JSWSL's multi-location steel manufacturing facilities produce various upstream products ranging from Mild Steel (MS) slabs/billets and Hot Rolled (HR) coils/steel plates/sheets, bar and wire rod products. Severfield Plc has experience in construction of FSS structures for bridges, commercial complexes, power projects, airports, stadiums, car parks and industrial projects across Europe. JSSL derives strong operational advantage from substantial experience of its promoters and management team in steel and construction industries.

<sup>7</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The promoters have regularly infused equity funds (contributed in the ratio of equity holding of 50:50) over the past few years supporting liquidity position of JSSL. During FY18, promoters had infused equity of Rs. 89 crore, proceeds of which were utilized to repay debt. During FY19, promoters further infused equity of Rs. 75.00 crore to support the capex requirement. The financial support from the promoters is expected to continue in the future, if required.

**Project execution capabilities**

JSSL has demonstrated its project execution ability by executing projects in excess of Rs. 1,500 crore since commencement of its operations. Despite challenging business environment, the company has been able to secure contracts from wider selection of customers across sectors (such as power & energy, oil & gas, transport & airport, real estate, industrial and commercial sectors). This was on the back of high quality product and short delivery times as well as full spectrum of services offered by JSSL, ranging from engineering solutions at conceptual stage to full design, fabrication and site construction.

**Improvement in financial and operational performance in FY19 and 9MFY20**

JSSL reported a significant growth in its total operating income to Rs. 766.41 crore (↑88% Y-o-Y) during FY19 as against Rs. 406.80 crore during FY18. Improvement in operating income was driven by faster execution of orders.

PBILDT margins declined to 8.17% in FY19 from 12.34% in FY18, on account of higher share of sub-contracting in total order book. However, PAT margin improved from 2.68% in FY18 to 3.60% in FY19, owing to lower interest cost as a result of decline in overall fund based borrowings. During 9MFY20, the PBILDT margin and PAT margin further improved to 10.43% and 4.87% respectively.

The production mix during FY19 was similar with contribution of 44% and 56% from industrial and commercial segments respectively (44% industrial, 56% commercial in FY18). The company produced around 68k tonnes of structural steel, recording a capacity utilization of around 123% during FY19.

Further, JSSL has completed its capacity expansion from 55,000 tpa to 1,00,000 tpa, by incurring capital expenditure of ~Rs. 100 crores (funded by equity infusion to the extent of Rs. 75 crores and the balance from term loan). Successful ramp-up of the additional capacity is expected to generate incremental cash flows from FY21.

**Improvement in the gearing levels and debt coverage indicators**

During FY19, promoters infused equity of Rs. 75 crore to support the capex requirement. JSSL's external borrowing as on March 31, 2019 was NIL. The overall gearing (including acceptances and mobilization advances) of JSSL improved significantly from 1.95x times as on March 31, 2018 to 1.68x as on March 31, 2019 and to 1.28x as on December 31, 2019. Further, total debt (including acceptances and mobilization advances) to GCA improved to 10.53x as on March 31, 2019 from 12.94x as on March 31, 2018. The interest coverage ratio also witnessed an improvement from around 1.92x for FY18 to 3.10x for FY19 to 4.04x for 9MFY20.

In addition to this, the company has secured better advance payment terms in the new contracts which will reduce working capital requirement and also improve future cash flows.

**Strong order-book position**

JSSL has a strong order book position of Rs. 1,192 crore as on December 31, 2019 (compared to Rs. 1,353.64 crore as on March 31, 2019 and Rs. 598.02 crore as on March 31, 2018). These are expected to be executed by FY21. Out of this order book, around 76% of the orders are from the commercial segment, while the balance 24% from the industrial segment (majorly from JSW group for its various expansion projects across different locations). JSSL's healthy order book provides medium-term revenue visibility for the company.

**Benefits of FSS over reinforced concrete, but low acceptance in Indian market**

FSS has certain inherent benefits over the conventionally used reinforced concrete. Unlike concreting, which is usually a wet process conducted at site, FSS building derives most of its competitive advantage from the virtue of prefabricated components which are produced and subsequently fabricated within a controlled environment to be assembled swiftly at site. Moreover, FSS structures are completed in half the time, are 40% lighter and provide more usable space. These are 100% recyclable and are earth quake resistant, though the product is moderately costlier (about 5%-15%) than the traditional reinforced concrete.

Steel is already used in many sectors in India, including power projects and industrial construction, but its adoption over reinforced concrete in these and other sectors is yet to gain momentum. The company has taken measures to enhance awareness as well as credibility of the product. The company is largely focusing on South and West Indian markets, in anticipation of demand for FSS from industry for upcoming high rise buildings and complex commercial structures.

**Key Rating Weaknesses****Working capital intensive nature of operations**

The operating cycle has improved to 90 days as on March 31, 2019 as against 138 days as on March, 2018, on account of decline in average collection period from 292 days in FY18 to 204 days in FY19. This was primarily on account of better advance payment terms in the new contracts. However, the unbilled revenue remained high at Rs. 300.90 crore as on March, 2019 as against Rs. 208 crore as on March 2018, mainly on account of increase in the share of unbilled revenue from JSW Steel Ltd which has increased to Rs. 160 crore as on March, 2019 as against Rs. 91 crore as on March, 2018.

The average mobilization advances received by the company were close to 30-40% of the Net Sales. The working capital cycle is managed with these mobilization advances as well as the long credit period provided by the suppliers. Ability of

the company to timely complete the work orders with regular collection of receivables would be critical from credit perspective.

**Fixed price contracts with susceptibility to raw material price volatility**

Hot Rolled (HR) steel accounts for about 90% of the total raw material cost for JSSL. Steel prices are volatile in nature and are driven by the global prices. The contracts bagged by JSSL are on fixed-price basis without escalation clause exposing its profit margins to steel price volatility.

**Prospects**

Recovery of the construction sector and rise in demand for FSS products over reinforced concrete would drive the future growth in JSSL's revenue. Apart from private funded projects, state developed projects are also getting steel frame acceptability.

India's steel consumption is also expected to show a moderate growth of around 2-3% on account of contraction in demand from the infrastructure and the construction sector caused due to the lockdown situation.

**Liquidity: Adequate**

JSSL liquidity position derives strength from sufficient liquidity in the form of free cash and bank balance of Rs. 88.78 crore as on March 31, 2019. Further, the company has unutilised lines of working capital borrowings of ~Rs. 150 crore which provides sufficient liquidity cushion. JSSL's average fund based utilization stood at 17.43% for 12 months ended Dec'2019 and Non-fund based working capital utilization stood at around 99% for 12 months ended Dec'2019.

**Analytical approach:**

CARE has adopted standalone approach in analysing financial and operational risk profile of JSW Severfield Structures Limited. Additionally, CARE has also factored in operational and financial support from JSW Steel Limited and Severfield Plc.

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

**About the Company**

JSSL is a 50:50 Joint Venture (JV) between JSW Steel Limited (JSWSL, rated CARE AA-; Stable/A1+) and Severfield Rowen Mauritius Limited (SRML), a wholly-owned subsidiary of Severfield Plc, based in the UK.

JSSL is a complete service provider offering engineering solutions at a conceptual stage, connection design, detailed drawings, and fabrication of FSS products, surface protection, delivery and erection on construction sites. With the completion of capacity expansion programme, JSSL's FSS manufacturing capacity, as on March 31, 2020, stood at around 1,00,000 tpa – consisting of three fabrication lines and a plate line – in its Bellary plant (Vijayanagar, Karnataka), where the entire steel structure is being fabricated in an automatic fabrication facility.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 406.80   | 766.41   |
| PBILDT                       | 50.19    | 62.65    |
| PAT                          | 10.92    | 27.57    |
| Overall gearing (times)      | 1.95     | 1.68     |
| Interest coverage (times)    | 1.92     | 3.10     |

A: Audited

The financials have been re-classified as per CARE Standards.

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

**Any other information: Not Applicable**

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument               | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Non-fund-based-Long Term             | -                | -           | -             | 263.00                        | CARE BBB+; Stable                         |
| Fund-based - LT-Cash Credit          | -                | -           | -             | 95.00                         | CARE BBB+; Stable                         |
| Non-fund-based - ST-Letter of credit | -                | -           | -             | 380.00                        | CARE A3+                                  |
| Fund-based/Non-fund-based-LT/ST      | -                | -           | -             | 160.00                        | CARE BBB+; Stable / CARE A3+              |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                              | Rating history                            |  |   |   |
|---------|--|-----------------|--------------------------------|------------------------------|---|--|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating                       | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019  | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Term Loan-Long Term                    | LT              | -                              | -                            | -   | -  | 1)Withdrawn (01-Mar-18)                   | 1)CARE BBB (06-Sep-16)                    |
| 2.      | Non-fund-based-Long Term               | LT              | 263.00                         | CARE BBB+; Stable            | -   | 1)CARE BBB+; Stable (20-Nov-18)            | 1)CARE BBB; Stable (01-Mar-18)            | 1)CARE BBB (06-Sep-16)                    |
| 3.      | Fund-based - LT-Cash Credit            | LT              | 95.00                          | CARE BBB+; Stable            | -   | 1)CARE BBB+; Stable (20-Nov-18)            | 1)CARE BBB; Stable (01-Mar-18)            | 1)CARE BBB (06-Sep-16)                    |
| 4.      | Non-fund-based - ST-Letter of credit   | ST              | 380.00                         | CARE A3+                     | -   | 1)CARE A3+ (20-Nov-18)                     | 1)CARE A3 (01-Mar-18)                     | 1)CARE A3 (06-Sep-16)                     |
| 5.      | Fund-based/Non-fund-based-LT/ST        | LT/ST           | 160.00                         | CARE BBB+; Stable / CARE A3+ | -   | 1)CARE BBB+; Stable / CARE A3+ (20-Nov-18) | 1)CARE BBB; Stable / CARE A3 (01-Mar-18)  | 1)CARE BBB / CARE A3 (06-Sep-16)          |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**



**Maruti Spintex Private Limited**

March 30, 2020

**Ratings**

| Facilities                           | Amount (Rs. crore)   | Ratings <sup>8</sup>   | Rating Action   |
|--------------------------------------|--|--|---|
| Long Term Bank Facilities            | 53.53  | CARE BB; Stable;<br>ISSUER NOT COOPERATING*<br>(Double B; Outlook: Stable;<br>ISSUER NOT COOPERATING*)                     | Issuer not cooperating;<br>Based on best available<br>information |
| Short Term Bank Facilities           | 0.30   | CARE A4;<br>ISSUER NOT COOPERATING*<br>(A Four;<br>ISSUER NOT COOPERATING*)  | Issuer not cooperating;<br>Based on best available<br>information |
| Long Term/Short Term Bank Facilities | 4.18   | CARE BB; Stable /CARE A4;<br>ISSUER NOT COOPERATING*<br>(Double B; Outlook: Stable/<br>A Four;<br>ISSUER NOT COOPERATING*) | Issuer not cooperating;<br>Based on best available<br>information |
| <b>Total Facilities</b>              | <b>58.01</b><br>(Rupees Fifty Eight Crore and One Lakh only) |  |   |

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from Maruti Spintex Private Limited (MSPL) to monitor the ratings vide e-mail communications/ letters dated December 03, 2019, February 03, 2020, February 19, 2020 and March 02, 2020 along with numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, MSPL has not paid the surveillance fee for the rating exercise as agreed to in its rating agreement. The ratings on MSPL's bank facilities will now be denoted as **CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The ratings assigned to the bank facilities of MSPL continue to remain constrained on account of its modest scale of operation in cyclical and competitive cotton textile spinning industry, leveraged capital structure and moderate debt coverage indicators and susceptibility of its profitability to volatile cotton prices.

The ratings, however, continue to derive strength from the extensive experience of the promoters in cotton business, location advantage on account of its presence in the cotton-producing belt of Gujarat.

**Detailed description of the key rating drivers**

*At the time of last rating on March 26, 2019, the following were the rating strengths and weaknesses (updated based on the best available information from ROC, bankers' feedback).*

**Key Rating Weaknesses**

**Leverage capital structure and moderate debt coverage indicators:** The capital structure of the company remained leveraged marked by an overall gearing ratio of 2.15 times as on March 31, 2019. The total debt of the company stood at Rs.62.25 crore which includes term debt of Rs.38.38 crore, working capital bank borrowing of Rs.14.47 crore and unsecured loans of Rs.9.40 crore. The unsecured loans of Rs.10.17 crore were considered as quasi equity as on March 31, 2018, since the same was prescribed by the banker in its sanction letter. However, the unsecured loans were reduced to Rs.9.40 crore as on March 31, 2019 and CARE does not have latest information/ update and thus, the unsecured loans are considered as a debt as on March 31, 2019. Due to this the overall gearing ratio of the company deteriorated as on March 31, 2019 compared to March 31, 2018. Further, the debt coverage indicators of MSPL remained moderate during FY19 marked by interest coverage ratio of 3.85 times (PY: 3.47 times) and TD/GCA of 5.61 years (PY: 7.06 years).

<sup>8</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

\*Issuer did not cooperate; Based on best available information



**Susceptibility of profitability to volatile cotton prices:** MSPL's profitability is susceptible to the movement in the prices of raw cotton and cotton yarn. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses for the industry players.

**Presence in competitive and cyclical textile cotton spinning industry:** Textile is a cyclical industry and closely follows the macroeconomic business cycles. Furthermore, the industry is highly competitive with presence of large no. of players. In the recent years, the Indian textile industry has witnessed a slowdown in exports due to shift in bulk of garment production to Bangladesh, China and Vietnam to meet the global demand. Moreover, despite growth in total operating income, the scale of operation of MSPL remained modest marked by TOI of Rs.145 crore, PAT of Rs.6 crore during FY19 and tangible network of Rs.29 crore. This restricts the operational and financial flexibility of the company.

The domestic cotton yarn production has remained subdued in FY17 and FY18 owing to low domestic downstream demand and reduced orders from the export market. Export demand has further moderated in the current financial year till September 30, 2019. After witnessing a growth of 3% in Q4FY19, the exports declined by a significant 33% in Q1FY20. Further, domestic demand for cotton yarn, too declined by ~1.4% in FY19 on account of low downstream demand in domestic market. Higher domestic cotton prices compared to global cotton yarn prices during H1FY20 have put Indian exporters at a disadvantage compared to their global competitors. Indian export of cotton yarn to China has shown de-growth of more than 35% during H1FY20. With India exporting nearly 30%-35% of its cotton yarn production, any decline in the export demand has a significant bearing on the realisation and profitability margins of the local spinners due to over-supply. However, moderation in the local cotton prices in Q2 and expectation of a better cotton crop in the Cotton Season 2019-20, may provide some solace to the domestic cotton spinners in the near future.

### Key Rating Strengths

**Experienced promoters:** Overall operations of the company are looked by Mr Naranbhai Kanetiya having more than three decades of experience in cotton industry. Mr. Prabhubhai Patel having experience of more than three decades in the same line of business handles the purchase function of the company.

**Strategic location of unit:** The manufacturing facility of MSPL is located in Botad (Gujarat), which is one of the cotton producing belts. MSPL procures cotton bales from ginners in the nearby region. Hence, its presence in cotton producing region has a locational advantage in terms of lower logistics expenditure (both on the transportation and storage) & ready availability of raw materials.

**Growth in TOI with moderate profitability:** During FY19, TOI of MSPL increased by 50% to Rs.145.19 crore from Rs.97.03 crore in FY18 mainly due to full commencement of capacity expansion undertaken by the company during FY18. Moreover, MSPL's PBILDT margin remained modest at around 10.15% in FY19 (PY: 11.89%) whereas the PAT margin stood at 4.26% (PY: 3.30%).

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology -Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

MSPL was incorporated in 2010 and it is engaged into manufacturing of combed/carded Yarn of various counts. The manufacturing facility of MSPL is located at Botad (Gujarat) with an installed capacity of 7140 MTPA with installation of 31,488 spindles.

| Brief Financials of MSPL (Rs. crore) | FY18 (A) | FY19 (A) |
|--------------------------------------|----------|----------|
| Total operating income               | 97.03    | 145.19   |
| PBILDT                               | 11.53    | 14.73    |
| PAT                                  | 3.20     | 6.18     |
| Overall gearing (times)              | 1.81     | 2.15     |
| Interest coverage (times)            | 3.47     | 3.85     |

A: Audited

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

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument                  | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook   |
|---|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Term Loan               | -                | -           | March 2023    | 13.75                         | CARE BB; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information           |
| Fund-based - LT-Cash Credit             | -                | -           | -             | 15.20                         | CARE BB; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information           |
| Non-fund-based - LT/ ST-Bank Guarantees | -                | -           | -             | 4.18                          | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information |
| Non-fund-based - ST-Forward Contract    | -                | -           | -             | 0.30                          | CARE A4; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information                   |
| Fund-based - LT-Term Loan               | -                | -           | December 2024 | 24.58                         | CARE BB; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information           |

\* Issuer did not co-operate, based on best available information

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument /Bank Facilities | Current Ratings |                                |   | Rating history                            |   |   |   |
|---------|---|-----------------|--------------------------------|---|---|---|---|---|
|         |   | Type            | Amount Outstanding (Rs. crore) | Rating  | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019                       | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Fund-based - LT-Term Loan               | LT              | 13.75                          | CARE BB; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information | -   | 1)CARE BB; Stable (26-Mar-19)<br>2)CARE BB-; Stable (05-Apr-18) | 1)CARE BB-; Stable (17-Aug-17)            | 1)CARE BB-; Stable (06-Feb-17)            |
| 2.      | Fund-based - LT-Cash Credit             | LT              | 15.20                          | CARE BB; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information | -   | 1)CARE BB; Stable (26-Mar-19)<br>2)CARE BB-; Stable (05-Apr-18) | 1)CARE BB-; Stable (17-Aug-17)            | 1)CARE BB-; Stable (06-Feb-17)            |
| 3.      | Non-fund-                               | LT/ ST          | 4.18                           | CARE BB; Stable / CARE A4; ISSUER   | -   | 1)CARE BB; Stable /   | 1)CARE A4 (17-Aug-                        | 1)CARE A4                                 |

| Sr. No. | Name of the Instrument /Bank Facilities | Current Ratings |                                |   | Rating history                            |   |   |   |
|---------|---|-----------------|--------------------------------|---|---|---|---|---|
|         |   | Type            | Amount Outstanding (Rs. crore) | Rating  | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019                       | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
|         | based - LT/ ST-Bank Guarantees          |                 |                                | NOT COOPERATING*<br>Issuer not cooperating; Based on best available information                         |   | CARE A4 (26-Mar-19)<br>2)CARE A4 (05-Apr-18)                    | 17)                                       | (06-Feb-17)                               |
| 4.      | Non-fund-based - ST-Forward Contract    | ST              | 0.30                           | CARE A4; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information         | -   | 1)CARE A4 (26-Mar-19)<br>2)CARE A4 (05-Apr-18)                  | 1)CARE A4 (17-Aug-17)                     | 1)CARE A4 (06-Feb-17)                     |
| 5.      | Fund-based - LT-Term Loan               | LT              | 24.58                          | CARE BB; Stable; ISSUER NOT COOPERATING*<br>Issuer not cooperating; Based on best available information | -   | 1)CARE BB; Stable (26-Mar-19)<br>2)CARE BB-; Stable (05-Apr-18) | 1)CARE BB-; Stable (17-Aug-17)            | -   |

\* Issuer did not co-operate, based on best available information

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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Email ID - [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**About CARE Ratings:**

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**Power Grid Corporation of India Limited**
**April 07, 2020**
**Ratings**

| Instruments                            | Amount (Rs. crore)                            | Rating <sup>9</sup>   | Rating Action |
|--|---|---|---------------|
| Long term Borrowing Programme for FY21 | 10,000.00<br>(Rupees Ten Thousand Crore Only) | <b>CARE AAA; Stable<br/>(Triple A; Outlook:<br/>Stable)</b> | Assigned      |

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to the long term borrowing programme for FY21 of Power Grid Corporation of India Limited (PGCIL) derives strength from the majority ownership of the Government of India (GoI) in PGCIL, the company's pivotal role in the Indian power transmission sector and its low-risk business having a cost-plus-tariff structure for majority of its projects. The rating also take into account PGCIL's high operating efficiency, growing income and cash accruals, strong project execution skills and its comfortable financial risk profile and adequate liquidity position. The rating also takes cognizance of the weak credit profile of its customers viz. state owned power distribution utilities.

**Rating Sensitivities**
*Negative Factors*

- Significant delay in the receipt of payments from counter parties.
- Any adverse change in the regulatory environment of power transmission sector.

**Detailed description of the key rating drivers**
**Key Rating Strengths**
**Majority ownership and support of GoI; pivotal role in the Indian power sector**

The GoI continues to be a major shareholder in the company with 54.96% shareholding as on December 31, 2019, and has provided regular support in the form of guarantees to PGCIL for availing of some of the loans from multilateral agencies from time-to-time. Although, with the introduction of tariff-based bidding, a few private players have entered the power transmission segment, PGCIL continues to maintain its leadership position and play significant role in the India power sector.

**Favorable regulatory framework having a cost-plus-tariff structure**

PGCIL's charges for transmission customers are governed by tariff norms determined by the Central Electricity Regulatory Commission (CERC). Though, from January 2011, tariff based competitive biddings (TBCB) for inter-state transmission services has been introduced, a majority of PGCIL's project portfolio would continue to derive revenue based on the cost-plus-tariff structure. Besides, the company has been able to secure Twenty transmission projects based on TBCB, of which Eight projects have become operational, while the balance are under progress and expected to be commissioned by July, 2021.

**High operating efficiency and strong execution skills**

Despite the extensive network under its management, PGCIL has been able to maintain system availability at more than 99% (above normative availability), which enables the company to earn incentive income consistently. During FY19 (refers to period April 01 to March 31), transmission system availability of 99.71% (PY: 99.81%) was achieved for the transmission network. Furthermore, the number of trippings per line was contained at 0.46 times in FY19 (0.60 in FY18). Besides, during 9MFY20 (refers to period April 01 to Dec 31), the company has registered system availability of 99.81% and number of trippings per line is contained at 0.32 times.

Assets worth Rs. 25,869 crore (excluding Foreign Exchange Rate Variation) (Rs. 27,928 crore in FY18) were capitalized by the company during FY19, adding about 8,468 ckm transmission lines, 10 new sub-stations and 40,119 MVA transformation capacity in the transmission system. During 9MFY20, the company has incurred capex of Rs. 10,485 crore and capitalized the assets of Rs. 10,917 crore. The company has added new transmission lines of 3,566 ckm, three sub-stations and transformation capacity of 27,985 MVA.

**Consistent increase in revenue and profit**

During FY19, PGCIL's total operating income on standalone basis grew by 15.80%, PAT by 20.54% and GCA by 10.71%, primarily on account of high operating efficiency and increase in transmission assets. The PBILDT and PAT margin of the company stood comfortable at 86.41% and 27.90% respectively, on account of cost-plus tariff structure as laid down by CERC, high operating efficiency and low level of operating expenses due to the nature of business. In 9MFY20 (provisional), the company has registered total operating income and PAT of Rs. 27,908 crore and Rs. 7,629 crore, respectively.

**Comfortable financial risk profile**

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications



The company has comfortable financial risk profile marked by a healthy net-worth base and financial flexibility, given its status as the largest transmission utility of India and majorly owned by GoI. The overall gearing of the company stood at 2.54 times as on March 31 2019. The overall gearing is moderately high due to regular debt raised by the company for annual capex plans and long gestation period of the projects. However, the debt coverage indicators of the company stood comfortable as exhibited by an interest coverage of 3.37x in FY19 (PY: 3.54x) and a total debt-to-GCA of 7.60x as on March 31, 2019 (PY: 7.56x).

#### **Key Rating Weaknesses**

**Weak credit profile of state-owned utilities:** The timely collection of dues from various state-owned utilities continues to be a challenge given the weak credit profile of those entities, though all the receivables are covered by letters of credit and average collection period is 38-44 days for last four years. Besides, to aid the liquidity position of distribution companies (DISCOMs) amid the ongoing nationwide lockdown in India, the Ministry of Power (MoP) has issued a directive to CERC to determine the lower late payment surcharge (LPS) for delays in payment of dues to transmission licensees during the period March 24, 2020 to June 30, 2020. Accordingly, CERC has reduced the LPS to 1.00% per month from existing 1.50% per month.

#### **Liquidity:**

The company has a strong liquidity profile marked by healthy cash generation vis-à-vis its scheduled debt repayments, combined with the cushion available in the working capital limits to match the fund flow mismatches, if any. Besides, the company has tied up debt for meeting the funding requirement of its capex plans. The liquidity profile of the company is also supported by free cash and bank balance of Rs. 7,060 crore as on December 31, 2019 and gross cash accruals of Rs. 15,969 crore in 9MFY20 (Prov.).

**Analytical approach:** Standalone. Further, the rating factors in PGCIL's strategic importance to the Government of India (GOI) and its role as Central Transmission Utility (CTU) for the Indian power transmission sector.

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Power Transmission Projects](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's policy for factoring linkages in ratings](#)

#### **About the Company**

PGCIL (CIN L40101DL1989GOI038121), incorporated in October 1989, is the Central Transmission Utility (CTU) of the country. The company is engaged in power transmission business with the responsibility for planning, implementation, operation and maintenance of the high-voltage transmission system. It owns and operates most of India's inter-regional and inter-state power transmission system (ISTS) with transmission network of about 1,61,864 ckm, 248 extra high voltage alternating current (EHVAC) and high voltage direct current (HVDC) substations with 3,99,897 mega volt ampere (MVA) transformation capacity as on December 31, 2019. Besides, the company has more than 47,735 km of fibre optic network. PGCIL has also been notified as a Maharatna company by the GoI on October 23, 2019.

| <b>Brief Financials (Rs. crore)</b> | <b>FY18 (A)</b> | <b>FY19 (A)</b> |
|-------------------------------------|-----------------|-----------------|
| Total operating income              | 30,757          | 35,618          |
| PBILDT                              | 26,849          | 30,781          |
| PAT                                 | 8,245           | 9,939           |
| Overall gearing (times)             | 2.47            | 2.48            |
| Interest coverage (times)           | 3.54            | 3.39            |

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating History for last three years:** Please refer Annexure-2

#### **Annexure-1: Details of Instruments/Facilities**

| <b>Name of the Instrument</b> | <b>Date of Issuance</b> | <b>Coupon Rate</b> | <b>Maturity Date</b> | <b>Size of the Issue (Rs. crore)</b> | <b>Rating assigned along with Rating Outlook</b> |
|-------------------------------|-------------------------|--------------------|----------------------|--------------------------------------|--|
| Bonds                         | -                       | -                  | Proposed             | 10000.00                             | CARE AAA; Stable                                 |



## Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities      | Current Ratings |                                |                             | Rating history   |   |   |  |
|---------|---|-----------------|--------------------------------|-----------------------------|--|---|---|--|
|         |   | Type            | Amount Outstanding (Rs. crore) | Rating                      | Date(s) & Rating(s) assigned in 2019-2020  | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017                                      |
| 1.      | Borrowings-Secured Long Term Borrowings     | LT              | 1540.63                        | CARE AAA; Stable            | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 2.      | Fund-based - ST-Term loan                   | ST              | -                              | -                           | -  | -   | -   | 1)Withdrawn (04-Nov-16)  |
| 3.      | Bonds-Secured Redeemable Bonds              | LT              | 568.00                         | CARE AAA; Stable            | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 4.      | Borrowings-Secured Long Term Borrowings     | LT              | 2707.50                        | CARE AAA; Stable            | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 5.      | Borrowings-Secured Long Term Borrowings     | LT              | 3714.38                        | CARE AAA; Stable            | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 6.      | Term Loan-Long Term                         | LT              | -                              | -                           | -  | -   | -   | 1)Withdrawn (04-Nov-16)  |
| 7.      | Non-fund-based - LT/ ST-BG/LC               | LT/ST           | 2700.00                        | CARE AAA; Stable / CARE A1+ | 1)CARE AAA; Stable / CARE A1+ (12-Aug-19)<br>2)CARE AAA; Stable / CARE A1+ (25-Jun-19) | 1)CARE AAA; Stable / CARE A1+ (20-Sep-18) | 1)CARE AAA; Stable / CARE A1+ (05-Oct-17) | 1)CARE AAA; Stable / CARE A1+ (28-Dec-16)<br>2)CARE AAA / CARE A1+ (04-Nov-16) |
| 8.      | Fund-based - LT-Cash Credit                 | LT              | 3000.00                        | CARE AAA; Stable            | 1)CARE AAA; Stable (12-Aug-19)<br>2)CARE AAA; Stable (25-Jun-19)                       | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 9.      | Borrowings-Secured Long Term Borrowings     | LT              | 7598.88                        | CARE AAA; Stable            | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 10.     | Borrowings-Market Borrowing Programme       | LT              | 7120.00                        | CARE AAA; Stable            | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)            | 1)CARE AAA; Stable (05-Oct-17)            | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                       |
| 11.     | Short Term Instruments-Short Term Borrowing | ST              | -                              | -                           | -  | -   | -   | 1)Withdrawn (04-Nov-16)  |
| 12.     | Borrowings-                                 | LT              | 6654.50                        | CARE                        | 1)CARE   | 1)CARE                                    | 1)CARE AAA;                               | 1)CARE AAA;  |

|     |   |    |          |                  |  |  |  |  |
|-----|---|----|----------|------------------|--|--|--|--|
|     | Market Borrowing Programme                  |    |          | AAA; Stable      | AAA; Stable (25-Jun-19)  | AAA; Stable (20-Sep-18)                          | Stable (05-Oct-17)   | Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                                       |
| 13. | Short Term Instruments-Short Term Borrowing | ST | -        | -                | -  | -  | -  | 1)Withdrawn (04-Nov-16)  |
| 14. | Borrowings-Market Borrowing Programme       | LT | 10667.00 | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)                   | 1)CARE AAA; Stable (05-Oct-17)   | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                           |
| 15. | Short Term Instruments-Short Term Borrowing | ST | -        | -                | -  | -  | -  | 1)Withdrawn (04-Nov-16)  |
| 16. | Borrowings-Market Borrowing Programme       | LT | 7082.00  | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)                   | 1)CARE AAA; Stable (05-Oct-17)   | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)                           |
| 17. | Short Term Instruments-Short Term Borrowing | ST | -        | -                | -  | -  | 1)Withdrawn (24-Apr-17)  | 1)CARE A1+ (28-Dec-16)<br>2)CARE A1+ (04-Nov-16)                                   |
| 18. | Borrowings-Market Borrowing Programme       | LT | 13481.00 | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)                   | 1)CARE AAA; Stable (05-Oct-17)   | 1)CARE AAA; Stable (28-Dec-16)<br>2)CARE AAA (04-Nov-16)<br>3)CARE AAA (29-Apr-16) |
| 19. | Short Term Instruments-Short Term Borrowing | ST | 9000.00  | CARE A1+         | 1)CARE A1+ (01-Nov-19)<br>2)CARE A1+ (25-Jun-19)                           | 1)CARE A1+ (20-Sep-18)<br>2)CARE A1+ (05-Apr-18) | 1)CARE A1+ (19-Dec-17)<br>2)CARE A1+ (05-Oct-17)<br>3)CARE A1+ (24-Apr-17) | 1)CARE A1+ (28-Dec-16)<br>2)CARE A1+ (04-Nov-16)<br>3)CARE A1+ (29-Apr-16)         |
| 20. | Fund-based - LT-Line Of Credit              | LT | 11270.00 | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)                   | 1)CARE AAA; Stable (05-Oct-17)<br>2)CARE AAA; Stable (24-Apr-17)           | -  |
| 21. | Borrowings-Market Borrowing Programme       | LT | 9130.00  | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)                   | 1)CARE AAA; Stable (05-Oct-17)<br>2)CARE AAA; Stable (24-Apr-17)           | -  |
| 22. | Fund-based - LT-Term Loan                   | LT | 13638.00 | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)   | 1)CARE AAA; Stable (20-Sep-18)                   | 1)CARE AAA; Stable (05-Oct-17)   | -  |
| 23. | Commercial Paper                            | ST | 9000.00  | CARE A1+         | 1)CARE A1+ (01-Nov-19)<br>2)CARE A1+ (25-Jun-19)<br>3)CARE A1+ (17-May-19) | 1)CARE A1+ (20-Sep-18)<br>2)CARE A1+ (05-Apr-18) | 1)CARE A1+ (19-Dec-17)   | -  |

|     |                                       |    |          |                  |  |  |   |   |
|-----|---------------------------------------|----|----------|------------------|--|--|---|---|
| 24. | Borrowings-Market Borrowing Programme | LT | 5487.50  | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)                                   | 1)CARE AAA; Stable (20-Sep-18)<br>2)CARE AAA; Stable (05-Apr-18)                                   | - | - |
| 25. | Fund-based - LT-Term Loan             | LT | 20000.00 | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)                                   | 1)CARE AAA; Stable (11-Mar-19)<br>2)CARE AAA; Stable (20-Sep-18)<br>3)CARE AAA; Stable (05-Apr-18) | - | - |
| 26. | Bonds                                 | LT | 10000.00 | CARE AAA; Stable | 1)CARE AAA; Stable (25-Jun-19)<br>2)CARE AAA; Stable (22-May-19) | -  | - | - |
| 27. | Bonds                                 | LT | 10000.00 | CARE AAA; Stable | -  | -  | - | - |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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**Shree Jeenmata Dyeing & Printing Mills Private Limited**

April 7, 2020

**Ratings**

| Facilities                 | Amount<br>(Rs. Crore) | Rating <sup>10</sup> | Rating Action   |
|----------------------------|-----------------------|----------------------|---|
| Long-term Bank Facilities  | -                     | -                    | Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative) to CARE BB; Stable (Double B; Outlook: Stable) and withdrawn |
| Short-term Bank Facilities | -                     | -                    | Reaffirmed at CARE A4+ (A Four Plus) and withdrawn  |
| <b>Total Facilities</b>    | -                     |                      |   |

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers**

CARE has reviewed the ratings assigned to the bank facilities of Shree Jeenmata Dyeing & Printing Mills Private Limited (SJDP) to CARE BB; Stable, CARE A4+ and has simultaneously withdrawn them, with immediate effect. The revision of the rating factors in the significant deterioration in the profitability margins, capital structure & debt coverage indicators in FY19 (refers to the period April 1 to March 31) over FY18. Further, the ratings also factors in small scale of operations, moderately working capital intensive nature of operations, presence in highly competitive & fragmented textile processing industry, highly experienced promoters in textile processing activities, diversified clientele, and successful completion of expansion project.

The rating withdrawal is at the request of SJDP and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**

**Relatively small scale of operations:** The scale of operations of SJDP stood relatively small with the total operating income (TOI) ranging from Rs.22.51-26.93 crore over FY16-FY19. The significant increase in TOI is on the back capacity additions undertaken over the same period by the company and the merger with the associate concern viz. Aasutosh Dyeing Mills Private Limited (ADMPL) with effect from April 1, 2015. Given the small scale of operations, the tangible net-worth base also stood relatively modest, thereby limiting the financial flexibility of the company.

**Moderate profit margins albeit susceptibility to volatile raw material prices:** The PBILDT margin of SJDP stood moderate and in the range of 10.12-21.10% over FY16-FY19, given the job-work nature of operations. However, the same are susceptible to volatility in raw material prices, primarily of the dyes, whereas the same significantly deteriorated to 10.12% in FY19 from 20.65% in FY18 owing to increase in raw material prices, increase in power & fuel costs, increase in labour costs owing to higher labour requirement towards the newly commissioned unit, increase in transportation charges etc. Moreover, without considering an extraordinary income worth Rs.2.25 crore comprising profit on sale of office premises, the net loss stood at Rs.1.20 crore in FY19 (vis-à-vis PAT of Rs.1.84 crore in FY18).

**Moderately working capital intensive nature of operations:** The operations of SJDP are moderately working capital intensive in nature with majority funds of 78-95 days blocked in debtors. The company receives a moderate credit period of over 53-69 days from the suppliers. However, led by major reliance on own funds for meeting the working capital requirements, the utilization of working capital limits continues to be remained at moderate level.

**Moderately leveraged capital structure & moderately weak debt coverage indicators:** The capital structure of SJDP stood moderately leveraged with the overall gearing ranging from 0.52-1.18 times over past four balance sheet dates ended March 31, 2019, given the relatively high dependence on external debt. Given this, coupled with moderate profitability, the debt coverage indicators also stood at moderately weak levels. The interest coverage ratio and total debt to gross cash accruals have deteriorated to 1.81 times and 6.69 times in FY19 respectively (vis-à-vis 3.95 times and 4.48 times in FY18 respectively).

**Presence in highly competitive & fragmented textile processing industry:** SJDP operates in a highly competitive & fragmented textile processing industry with a large number of small & medium-sized players engaged in textile processing activities, including dyeing & printing of fabrics. This is evident from the higher credit period extended to the customers by the company.

<sup>10</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

### Key Rating Strengths

**Highly experienced promoters:** The overall operations of SJDP are looked after by the directors Mr. Rajkumar Mushaib with his sons Mr. Harish Mushaib and Mr. Kamlesh Mushaib, who possess a total experience of over 33 years and 6 years (both the sons) respectively in the textile processing activities.

**Diversified clientele:** SJDP caters to more than 100 customers for its dyeing activities on job-work basis. Moreover, the customer profile of the company stood diversified with the top 5 customers comprising 19.43% of the net sales in FY19 (vis-à-vis 24.82% in FY18).

**Successful completion of expansion project:** SJDP has successfully commissioned the expansion project of setting up of new units viz. B-33 & C-6 by incurring a total cost of Rs.12.83 crore as against Rs.15.90 crore as estimated earlier (the company does not require the balance machineries), which was funded by bank term loans to the tune of Rs.9.54 crore (Rs.11.85 crore sanctioned towards the said project). Moreover, the said units have commenced full-fledged operations from the beginning of FY20.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[CARE's default recognition policy](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios - Non Financial Sector](#)

### About the Company

Incorporated in 2002, Shree Jeenmata Dyeing & Printing Mills Private Limited (SJDP) is engaged in dyeing & processing of fabrics (used for sarees) on job-work basis for more than 100 customers. Vide National Company Law Tribunal's (NCLT) order dated March 1, 2017 (effective from April 1, 2015), SJDP has merged its associate concern viz. Aasutosh Dyeing Mills Private Limited (ADMPL) with itself, which was also engaged in dyeing of fabrics on job-work basis with an installed capacity of 40,000 meters per day. The manufacturing facilities of SJDP are located at Badlapur in Thane, Maharashtra, equipped with a total installed capacity of 5.40 lakh meters per day (after merger) utilized at 57.87% in FY18 (vis-à-vis 55.21% in FY17).

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 24.08    | 26.93    |
| PBILDT                       | 4.97     | 2.73     |
| PAT                          | 1.84     | 1.05     |
| Overall gearing (times)      | 0.81     | 1.18     |
| Interest coverage (times)    | 3.95     | 1.81     |

A: Audited

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

| Name of the Instrument              | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|-------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Term Loan           | -                | -           | -             | 0.00                          | Withdrawn                                 |
| Fund-based - LT-Cash Credit         | -                | -           | -             | 0.00                          | Withdrawn                                 |
| Non-fund-based - ST-Bank Guarantees | -                | -           | -             | 0.00                          | Withdrawn                                 |



**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |        | Rating history                            |   |   |   |
|---------|--|-----------------|--------------------------------|--------|---|---|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1.      | Fund-based - LT-Term Loan              | LT              | -                              | -      | -   | 1)CARE BB+; Negative (02-Apr-19)          | -   | 1)CARE BB+; Positive (08-Mar-18)          |
| 2.      | Fund-based - LT-Cash Credit            | LT              | -                              | -      | -   | 1)CARE BB+; Negative (02-Apr-19)          | -   | 1)CARE BB+; Positive (08-Mar-18)          |
| 3.      | Non-fund-based - ST-Bank Guarantees    | ST              | -                              | -      | -   | 1)CARE A4+ (02-Apr-19)                    | -   | 1)CARE A4+ (08-Mar-18)                    |

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**LIC Housing Finance Ltd.**  
**April 7, 2020**

**Ratings**

| Facilities                         | Amount<br>(Rs. Crore)   | Rating                  | Rating Action     |
|------------------------------------|---|-------------------------|-------------------|
| Non-Convertible<br>Debenture issue | 1,17,441  | <b>CARE AAA; Stable</b> | <b>Reaffirmed</b> |
| Lower Tier II Bonds                | 750   | <b>CARE AAA; Stable</b> | <b>Reaffirmed</b> |
| Upper Tier II Bonds                | 1,500   | <b>CARE AAA; Stable</b> | <b>Reaffirmed</b> |
| Non-Convertible<br>Bonds           | 25,000  | <b>CARE AAA; Stable</b> | <b>Reaffirmed</b> |
| <b>Total</b>                       | <b>1,44,691 (One Lakh Forty Four<br/>Thousand and Six Ninety One<br/>Crs. Only)</b> |                         |                   |

*Details of instruments / facilities given in Annexure – 1*

**Detailed Rationale and Key Rating drivers**

The rating factors in the support that LIC Housing Finance Ltd. (LICHF) derives from Life Insurance Corporation of India (LIC) (largest life insurer in India) which holds 40.3% stake in the company and the strategic importance accorded by LIC to LICHF. The rating also takes into account LIC's demonstrated financial, managerial, operational and marketing support to LICHF; as well as LICHF's long-standing track record and market position, liquidity position supported by strong resource raising capability, adequate capitalization and comfortable asset quality parameters. Continued support from the promoter & its shareholding, profitability and asset quality are the key rating monitorables.

**Rating sensitivities***Negative factors*

- Material deterioration in Asset Quality with Gross NPA above 3%.
- Fall in Profitability with ROTA below 1%
- Fall in proportion of Home Loans portfolio below 75% of total portfolio.

**Detailed description of Key Rating Drivers****Key Rating Strengths****Strong promoter support**

Life Insurance Corporation of India (LIC) holds 40.31% stake in LICHF as on December 31, 2019. LICHF derives strong promoter support from its parent entity. Further, the common brand linkage; agent network; funding and managerial support extended to operations of LICHF indicate the strategic importance attached to LICHF by LIC. LICHF generates its business through leads provided by Home Loan Agents (HLAs), Direct Sales Agents (DSAs), Customer Relation Associates (CRAs), its wholly-owned subsidiary, LICHF Financial Services Ltd. (LFSL) and direct branch walk-ins. Together, HLAs and LFSL account for the LIC ecosystem that account for two-thirds of the loans disbursed by LICHF. LICHF's reliance on this LIC ecosystem is increasing over past few years. It generated over 68% of its loans in FY19, up from 66% in FY15. Additionally, LIC has deputed more than 60 employees to LICHF to lend support to its functioning and management. Apart from this, LIC has nominated three Directors on the Board of LICHF. The rating continues to derive strength from the depth and spread of demonstrated support extended by LIC to LICHF.

**Long-standing track record and market position**

Established in 1989, LICHF has a long and profitable track record of operations of over two decades. The company is the second largest market player in the housing finance industry having a loan portfolio of over Rs.1,92,993 Crs. of as on March 31, 2019; as compared to Rs. 1,66,323 Crs. at the end of FY18. The AUM has witnessed a growth of ~11% CAGR during FY16-19. As on December 31, 2019; the portfolio has further expanded to Rs. 2,05,692 Crs.

**Adequate capitalisation and moderate gearing**

LICHF has comfortable capitalisation levels. It reported CAR at 14.36% (Tier I CAR: 12.30%) as on Mar.31, 2019. The capitalisation levels of the company are further supported by healthy internal accruals. During the period FY15-19, its net worth increased by ~20.1% CAGR, while its borrowings expanded only ~15.3% CAGR. This resulted in moderation of gearing levels from 12.35x in FY15 to 10.50x in FY19. Its gearing levels have declined marginally to 10.41x on December 31, 2019. This is due to marginal increase in the net worth. Going forward, continued parent support and strong resource raising ability are expected to enable the company in raising capital to meet its future business growth.

**Moderation in asset quality**

The asset quality of LICHF has deteriorating over the last few months, due to increasing stress levels in the underlying assets in recent years, driven primarily by the slowdown in the economy. As on March 31, 2019, LICHF's Gross NPA has

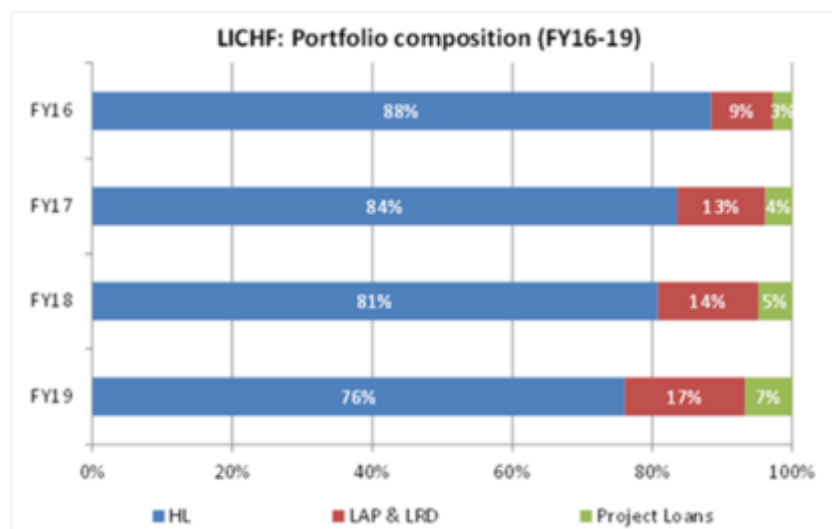
increased from 0.78% in FY18 to 1.53% in FY19. Net NPA ratio of LICHF stood at of 1.07% [P.Y.: 0.43%]. As on December 31, 2019, LICHF reported Gross NPA ratio of 2.73% [P.Y.: 1.26%].

#### **Diversified resources profile**

LIC HF has strong and well-diversified resource profile. In tandem with the industry trend, there has been a continuous shift in sourcing of borrowings from bank facilities to market borrowings on account of competitive borrowing costs in the debt market. NCDs constituted for more than 65% of total liabilities in FY16-19 and 9MFY20. NHB refinance has remained stagnant as a proportion of total borrowings for LICHF as disbursements for asset classes such as LAP, LRD and Project Loans have increased in recent times.

#### **Healthy business volumes & profitability parameters**

LICHF's loan portfolio has grown at a CAGR of 15.5% during FY15 to FY19, with its portfolio composition undergoing a major change. Its HL exposure has been going down; declining from 88% in FY17 to 81% in FY18 and further to 76% in FY19. On the other hand, the proportion of LAP & LRD combined has increased from 9% to 14% to further 17% over the same period.



The company continues to have stable profitability parameters on the back of healthy portfolio growth and stable margins. In FY19, NIMs stood at 2.35% [P.Y.: 2.29%]. Similarly, ROTA improved to 1.31% in FY19 as compared to 1.23% in FY18. During 9MFY20, LICHF reported NIM of 2.69% [9MFY19: 2.29%]. Similarly, ROTA was 1.45% in 9MFY20 as compared to 1.27% in 9MFY19.

#### **Moderate liquidity position & diversified resources profile**

As on December 31, 2019, LICHF's liquidity profile shows negative cumulative mismatches in short to medium term buckets. In the short-term (up to 12m), LICHF has negative cumulative mismatch of Rs. 11,780 Crs. The mismatch rises to Rs. 38,037 Crs. in the period up to 3 years. Further CP outstanding as on 31st December, 2019 was ~Rs. 9,248 Crs., accounting for ~5% of total borrowings. However, factors such as the strong resource raising capability of LICHF, considering parentage of LIC, provide additional comfort.

#### **Liquidity Profile – Adequate**

LICHF's asset quality is a source of comfort, as it ensures regular cash flows from its loan portfolio. In the domain of assetliability management, it has been able to use its liquid investments and invoke unutilized bank lines to tide over its shortterm mismatches in its repayment schedule. Further, in case of insufficient asset-side support, it has leveraged on its brand and industry position to mobilize resources to manage its liability calendar; most recently witnessed in the period since Sep'18, when despite adverse market events, LICHF was able to tap into the capital market and raise funds. Lastly, the expectation of funding from LIC, its majority shareholder, to cover any shortfall, is a source of comfort.

#### **Industry Prospects**

HFC's are expected to maintain their good profitability on the basis of strong business growth and stable asset quality over the medium term. However, rising competition and the resultant possible dilution in credit underwriting norms, long term funding and asset quality are the key challenges for the sector. However, there are some industry concerns on the LAP book with many players witnessing substantial rise in the delinquency level.

#### **Analytical approach:**

CARE has analyzed standalone credit profile of LICHF along with LICHF linkage with its parent LIC. CARE has considered the 40.31% shareholding of LIC in LICHF, along with the depth and spread of demonstrated support extended by LIC to LICHF. LICHF benefits from common brand linkage, logo, agent network, funding support and managerial support from LIC.

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE Policy on Default Recognition](#)

[Rating Methodology: Housing Finance Companies](#)  
[Rating Methodology: Factoring Linkages in Ratings](#)  
[Financial ratios - Financial Sector](#)  
[Criteria for short term instruments](#)

### About the company

LICHF is India's second largest housing finance player with outstanding loan portfolio of more than Rs. 2,05,692 Crs. of as on December 31, 2019. LIC, the largest life insurance company of India, continues to be the largest shareholder in LICHF, with around 40.31% shareholding as on November - 2018. LICHF's portfolio composition has undergone a major change in FY16-19. Its HL exposure has been going down during FY16-19; declining from 88% in FY17 to 81% in FY18 and further to 76% in FY19. On the other hand, the proportion of LAP & LRD combined has increased from 9% to 14% to further 17% over the same period.

| Brief Financials (Rs. crore)             | FY18 (A) | FY19 (A) |
|--|----------|----------|
| Total operating income (Interest Income) | 14,841   | 17,364   |
| PAT                                      | 2,003    | 2,431    |
| Interest coverage (times)                | 1.25     | 1.26     |
| Total Assets                             | 1,71,090 | 2,00,583 |
| Net NPA (%)                              | 0.43     | 1.07     |
| ROTA (%)                                 | 1.24     | 1.31     |

A: Audited

In Dec'19, the loan portfolio of LICHF increased to Rs. 2,05,692; while Gross NPAs rose to 2.73%.

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

### Annexure – 1: Details of instruments / facilities

| Name of the Instrument     | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (Rs. Crore) | Rating assigned along with Rating Outlook |
|----------------------------|------------------|-----------------|---------------|-------------------------------|---|
| Non-convertible Debentures | 31-05-2010       | 8.6             | 31-05-2020    | 296                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-08-2010       | 8.9             | 10-08-2020    | 630                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 13-10-2010       | 8.88            | 13-10-2020    | 465                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-11-2010       | 9               | 23-11-2020    | 366                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 04-01-2011       | 9.35            | 04-01-2021    | 107                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 18-01-2011       | 9               | 18-01-2021    | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 07-03-2011       | 9.6             | 07-03-2021    | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 11-05-2011       | 9.4             | 11-05-2021    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 07-06-2011       | 9.8             | 07-06-2021    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-09-2011       | 9.4             | 19-09-2021    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 11-11-2011       | 9.9             | 11-11-2021    | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-01-2012       | 9.45            | 30-01-2022    | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-02-2012       | 9.43            | 10-02-2022    | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-07-2012       | 9.35            | 24-07-2022    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-09-2012       | 9.3             | 14-09-2022    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 25-10-2012       | 9.05            | 25-10-2022    | 335                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-11-2012       | 9.25            | 12-Nov-22     | 400                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 13-12-2012       | 9.23            | 13-12-2022    | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-12-2012       | 9.3             | 17-12-2022    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 01-01-2013       | 9.25            | 01-Jan-23     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-03-2013       | 9.13            | 12-Mar-23     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 09-Apr-13        | 9               | 09-Apr-23     | 525                           | CARE AAA; Stable                          |



| Name of the Instrument     | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (Rs. Crore) | Rating assigned along with Rating Outlook |
|----------------------------|------------------|-----------------|---------------|-------------------------------|---|
| Non-convertible Debentures | 25-04-2013       | 8.89            | 25-04-2023    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 21-05-2013       | 8.37            | 21-05-2023    | 900                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-03-2014       | 9.8             | 19-03-2024    | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 07-Jul-14        | 9.29            | 05-Jul-24     | 605                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-07-2014       | 9.51            | 24-07-2019    | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-08-2014       | 9.3532          | 19-08-2019    | 575                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 25-08-2014       | 9.47            | 23-08-2024    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 25-08-2014       | 9.39            | 23-08-2024    | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 02-Sep-14        | Zero coupon     | 02-Sep-19     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Sep-14        | 9.45            | 10-Sep-19     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Sep-14        | Zero coupon     | 10-Sep-19     | 900                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-09-2014       | 9.44            | 30-09-2019    | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-09-2014       | 9.24%           | 30-09-2019    | 350                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-09-2014       | 9.24%           | 30-09-2024    | 650                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 16-10-2014       | 9.22%           | 16-10-2024    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-10-2014       | 8.97%           | 29-10-2019    | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Nov-14        | 8.70%           | 08-Nov-19     | 600                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-11-2014       | 8.59%           | 18-11-2019    | 550                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-11-2014       | 8.72%           | 28-11-2019    | 715                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 11-Dec-14        | 8.61%           | 11-Dec-19     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-Jan-15        | 8.62%           | 08-Jan-25     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Jan-15        | 8.75%           | 14-Jan-20     | 450                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Jan-15        | 8.73%           | 14-Jan-20     | 350                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 21-Jan-15        | 8.47%           | 21-Jan-20     | 800                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-Jan-15        | 8.40%           | 30-Jan-25     | 10                            | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Feb-15        | 8.50%           | 24-Feb-25     | 600                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 03-Mar-15        | 8.52%           | 03-Mar-25     | 425                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-Mar-15        | 8.68%           | 30-Mar-20     | 595                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Mar-15        | 8.22%           | 31-Mar-25     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Apr-15        | 8.49%           | 28-Apr-20     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-May-15        | 8.55%           | 29-May-25     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 04-Jun-15        | 8.50%           | 04-Jun-25     | 205                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 22-Jul-15        | 8.60%           | 22-Jul-20     | 605                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Jul-15        | 8.60%           | 29-Jul-20     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Jul-15        | 8.67%           | 26-Aug-20     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 03-Aug-15        | 8.58%           | 01-Aug-25     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-Aug-15        | 8.55%           | 14-Aug-25     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Aug-15        | 8.53%           | 24-Sep-20     | 440                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Aug-15        | 8.48%           | 29-Aug-25     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Aug-15        | 8.50%           | 29-Aug-25     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 15-09-2015       | 8.65%           | 15-Sep-20     | 205                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Sep-15        | 8.65%           | 29-Sep-20     | 503                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-Oct-15        | 8.34%           | 08-Oct-25     | 210                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Oct-15        | 8.35%           | 23-Oct-20     | 650                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Oct-15        | 8.25%           | 23-Oct-25     | 381                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 13-Nov-15        | 8.20%           | 13-Nov-25     | 1,000                         | CARE AAA; Stable                          |



| Name of the Instrument     | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (Rs. Crore) | Rating assigned along with Rating Outlook |
|----------------------------|------------------|-----------------|---------------|-------------------------------|---|
| Non-convertible Debentures | 14-Dec-15        | 8.40%           | 12-Dec-25     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 05-Jan-16        | 8.50%           | 05-Jan-21     | 350                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 05-Jan-16        | 8.50%           | 05-Jan-21     | 150                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-Jan-16        | 8.58%           | 19-Jan-23     | 490                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Jan-16        | 8.42%           | 28-Jan-26     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 02-Feb-16        | 8.43%           | 02-Feb-26     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-Feb-16        | 8.58%           | 08-Feb-24     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 26-Feb-16        | 8.53%           | 26-Feb-26     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 03-Mar-16        | 8.57%           | 03-Mar-26     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-Mar-16        | 8.75%           | 08-Mar-21     | 600                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Mar-16        | 8.75%           | 12-Feb-21     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 21-Mar-16        | 8.75%           | 21-Dec-20     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Mar-16        | 8.60%           | 26-Feb-21     | 367                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Mar-16        | 8.60%           | 28-Dec-20     | 456                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 27-Apr-16        | 8.32%           | 27-Apr-26     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 02-May-16        | 8.37%           | 03-Oct-19     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-May-16        | 8.37%           | 10-May-21     | 505                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 13-May-16        | 8.37%           | 13-Jun-19     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-May-16        | 8.45%           | 22-May-26     | 535                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-May-16        | 8.45%           | 21-May-21     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Jun-16        | 8.48%           | 09-Jun-23     | 272                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Jun-16        | 8.47%           | 10-Jun-26     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 15-Jun-16        | 8.47%           | 15-Jun-26     | 370                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Jun-16        | 8.48%           | 29-Jun-26     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Jun-16        | 8.48%           | 29-Jun-26     | 348.8                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-Jun-16        | 8.48%           | 14-Feb-20     | 205                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 07-Jul-16        | 8.47%           | 07-Jul-20     | 435                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Jul-16        | 8.43%           | 10-Jul-26     | 475                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 18-Aug-16        | 8.02%           | 18-Feb-20     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 18-Aug-16        | 7.90%           | 18-Dec-19     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 18-Aug-16        | 7.90%           | 18-Aug-26     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Aug-16        | 7.96%           | 12-Dec-19     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Aug-16        | 7.98%           | 15-May-20     | 400                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Aug-16        | 7.97%           | 11-Feb-20     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-Sep-16        | 7.79%           | 19-Jun-20     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-Sep-16        | 7.86%           | 19-Sep-23     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-Sep-16        | 7.81%           | 19-Oct-21     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 26-Sep-16        | 7.81%           | 27-Apr-20     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 26-Sep-16        | 7.83%           | 25-Sep-26     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Sep-16        | 7.75%           | 27-Aug-21     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 07-Oct-16        | 7.54%           | 07-Oct-20     | 200                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Oct-16        | 7.59%           | 14-Oct-21     | 497                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 21-Oct-16        | 7.66%           | 21-Oct-21     | 140                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 25-Oct-16        | 7.48%           | 23-Oct-26     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-Nov-16        | 7.59%           | 11-Jun-20     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 25-Nov-16        | 7.20%           | 24-Apr-20     | 575                           | CARE AAA; Stable                          |

| Name of the Instrument     | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (Rs. Crore) | Rating assigned along with Rating Outlook |
|----------------------------|------------------|-----------------|---------------|-------------------------------|---|
| Non-convertible Debentures | 16-Dec-16        | 7.16%           | 16-Dec-26     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Dec-16        | 7.25%           | 22-Dec-23     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 11-Jan-17        | 7.52%           | 11-May-20     | 350                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 13-Jan-17        | 7.57%           | 13-Jan-22     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-Jan-17        | 7.58%           | 28-Feb-20     | 650                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-Feb-17        | 7.65%           | 17-Nov-20     | 350                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 16-Mar-17        | 7.80%           | 17-Mar-20     | 220                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 16-Mar-17        | 7.80%           | 18-Mar-20     | 220                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 16-Mar-17        | 7.80%           | 19-Mar-20     | 220                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Mar-17        | 7.77%           | 21-Feb-20     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Mar-17        | 7.95%           | 24-Mar-22     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Mar-17        | 7.78%           | 24-Jun-20     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 27-Mar-17        | 7.95%           | 26-Mar-27     | 600                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 03-May-17        | 7.80%           | 03-May-22     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-May-17        | 7.74%           | 05-Jun-20     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-May-17        | 7.90%           | 08-May-24     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 16-May-17        | 7.70%           | 22-May-20     | 700                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-May-17        | 7.86%           | 17-May-27     | 700                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-May-17        | 7.59%           | 12-Jul-19     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-May-17        | 7.78%           | 23-May-22     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-May-17        | 7.67%           | 29-Jul-21     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Jun-17        | 7.48%           | 10-Jun-22     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Jun-17        | 7.40%           | 14-Aug-20     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Jun-17        | 7.40%           | 18-Aug-20     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Jun-17        | 7.56%           | 14-Jun-27     | 500                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-Jun-17        | 7.47%           | 13-Jul-20     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 21-Jul-17        | 7.42%           | 15-Jul-22     | 1,100                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 30-Aug-17        | 7.39%           | 30-Aug-22     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 07-Sep-17        | 7.40%           | 06-Sep-24     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-Oct-17        | 7.45%           | 17-Oct-22     | 1,000                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Nov-17        | 7.75%           | 23-Nov-27     | 530                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Nov-17        | 7.57%           | 18-Feb-21     | 1,250                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 18-Dec-17        | 7.85%           | 16-Dec-22     | 1,205                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Jan-18        | 7.88%           | 28-Jan-21     | 327                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 22-Jan-18        | 7.90%           | 22-Jan-28     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Jan-18        | 7.95%           | 29-Jan-28     | 1,477                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Mar-18        | 8.19%           | 25-Mar-21     | 1,173                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 26-Mar-18        | 7.93%           | 22-Nov-19     | 1,665                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Mar-18        | 7.90%           | 28-Aug-19     | 1,175                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Oct-18        | 9.08%           | 10-Oct-28     | 912                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 17-Oct-18        | 9.08%           | 17-Oct-23     | 448                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Oct-18        | 9.17%           | 24-Mar-22     | 495                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Oct-18        | 9.10%           | 24-Sep-28     | 630.5                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 06-Nov-18        | 9.19%           | 06-Jun-23     | 1,663                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 19-Nov-18        | 8.97%           | 17-Nov-28     | 274.9                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 27-Nov-18        | 9.10%           | 25-Feb-22     | 1,622                         | CARE AAA; Stable                          |

| Name of the Instrument     | Date of Issuance | Coupon Rate (%)                 | Maturity Date | Size of the Issue (Rs. Crore) | Rating assigned along with Rating Outlook |
|----------------------------|------------------|---------------------------------|---------------|-------------------------------|---|
| Non-convertible Debentures | 10-Dec-18        | 8.75%                           | 08-Dec-23     | 775                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Dec-18        | 8.75%                           | 08-Dec-28     | 1,606                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Dec-18        | 8.80%                           | 24-Dec-20     | 2,500                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 24-Dec-18        | 8.70%                           | 24-Dec-25     | 1,522.40                      | CARE AAA; Stable                          |
| Non-convertible Debentures | 11-Jan-19        | 8.69%                           | 19-Apr-22     | 651.80                        | CARE AAA; Stable                          |
| Non-convertible Debentures | 21-Jan-19        | 8.55%                           | 18-May-20     | 720                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Jan-19        | 8.80%                           | 25-Jan-29     | 1,365                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 22-Feb-19        | 8.70%                           | 04-May-22     | 529.50                        | CARE AAA; Stable                          |
| Non-convertible Debentures | 05-Mar-19        | 8.45%                           | 12-Mar-20     | 1,500                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 05-Mar-19        | 8.79%                           | 05-Mar-24     | 315                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 08-Mar-19        | 8.79%                           | 05-Mar-24     | 1,500                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 14-Mar-19        | 8.60%                           | 14-Jan-22     | 2,500                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 25-Mar-19        | 8.70%                           | 23-Mar-29     | 3,400                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 20-May-19        | 8.50%                           | 20-Jun-22     | 2,035                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 31-May-19        | 8.33%                           | 31-May-24     | 1,674                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Jul-19        | 7.99%                           | 12-Jul-29     | 2,500                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Jul-19        | 7.85%                           | 23-Sep-22     | 1,200                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 22-Aug-19        | 7.60%                           | 22-Nov-22     | 1,165                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 29-Aug-19        | 7.78%                           | 29-Aug-24     | 770                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 09-Sep-19        | 7.45%                           | 13-Jan-23     | 910                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 23-Sep-19        | 7.75%                           | 23-Jul-24     | 1,455                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 18-Oct-19        | 7.79%                           | 18-Oct-24     | 2,700                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 04-Nov-19        | 6.95%                           | 04-Jun-21     | 501                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 06-Dec-19        | 7.16%                           | 23-Sep-22     | 250                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 06-Dec-19        | 7.18%                           | 23-Nov-22     | 300                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 20-Dec-19        | 7.22%                           | 19-Nov-21     | 750                           | CARE AAA; Stable                          |
| Non-convertible Debentures | 10-Jan-20        | 7.45%                           | 10-Feb-23     | 3,250                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 28-Jan-20        | 7.97%                           | 28-Jan-30     | 1,120                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 06-Feb-20        | 7.20%                           | 30-Aug-22     | 1,050                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Feb-20        | 7.33%                           | 12-Feb-25     | 1,510                         | CARE AAA; Stable                          |
| Non-convertible Debentures | 12-Feb-20        | 6.57%                           | 13-Jul-21     | 340                           | CARE AAA; Stable                          |
| Upper Tier II              | 31-03-2010       | 8.7% (1 <sup>st</sup> 10 Years) | 31-03-2025    | 500                           | CARE AAA; Stable                          |
| Upper Tier II              | 26-10-2010       | 8.9% (1 <sup>st</sup> 10 years) | 26-10-2025    | 500                           | CARE AAA; Stable                          |
| Upper Tier II              | 29-11-2010       | 9.0% (1 <sup>st</sup> 10 years) | 29-11-2025    | 500                           | CARE AAA; Stable                          |
| Lower Tier II              | 15-09-2010       | 8.95                            | 15-09-2020    | 500                           | CARE AAA; Stable                          |

**Annexure – 2: Rating history of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                  | Rating history                            |   |   |   |
|---------|--|-----------------|--------------------------------|------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1.      | Debentures-Non Convertible Debentures  | LT              | 150.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable<br>(07-Jan-19)         | 1)CARE AAA; Stable<br>(05-Oct-17)         |
| 2.      | Debentures-Non Convertible Debentures  | LT              | 372.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable<br>(07-Jan-19)         | 1)CARE AAA; Stable<br>(05-Oct-17)         |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                  | Rating history                            |   |  |  |
|---------|--|-----------------|--------------------------------|------------------|---|---|--|--|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019                        | Date(s) & Rating(s) assigned in 2017-2018                        |
| 3.      | Debentures-Non Convertible Debentures  | LT              | 154.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 4.      | Bonds-Lower Tier II                    | LT              | 500.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 5.      | Bonds-Upper Tier II                    | LT              | 500.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 6.      | Bonds-Upper Tier II                    | LT              | 500.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 7.      | Bonds-Lower Tier II                    | LT              | 250.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 8.      | Debentures-Non Convertible Debentures  | LT              | 33,765.00                      | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 9.      | Bonds-Upper Tier II                    | LT              | 500.00                         | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 10.     | Debentures-Non Convertible Debentures  | LT              | 15,000.00                      | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 11.     | Debentures-Non Convertible Debentures  | LT              | 18,000.00                      | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 12.     | Debentures-Non Convertible Debentures  | LT              | 25,000.00                      | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)                                   |
| 13.     | Bonds-Non Convertible Bonds            | LT              | 25,000.00                      | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)                                   | 1)CARE AAA; Stable (05-Oct-17)<br>2)CARE AAA; Stable (20-Jul-17) |
| 14.     | Bonds-Non Convertible Bonds            | LT              | 25,000.00                      | CARE AAA; Stable | -   | -   | 1)CARE AAA; Stable (07-Jan-19)<br>2)CARE AAA; Stable (10-Dec-18) | -  |
| 15.     | Bonds-Non Convertible Bonds            | LT              | 35,000.00                      | CARE AAA; Stable | -   | 1)CARE AAA; Stable (13-Jun-19)            | -  | -  |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Alchemist Hospitals Limited**

April 07, 2020

**Rating**

| Facilities                | Amount<br>(Rs. crore)   | Rating <sup>11</sup>                                    | Rating Action |
|---------------------------|---|---|---------------|
| Long term Bank Facilities | 55.38   | CARE BB+; Stable<br>(Double B Plus;<br>Outlook: Stable) | Reaffirmed    |
| Total Facilities          | 55.38<br>(Rs. Fifty five crore and thirty eights<br>lakhs only) |   |               |

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of Alchemist Hospitals Limited (AHL) continues to be constrained by the modest scale of operations, fluctuating profitability margins and high amount of recoverables outstanding with a defunct group concern. The rating further remains constrained by the project implementation risk especially in light of the Covid-19 outbreak, concentration in the revenue stream, risks in the healthcare industry associated with the availability & attrition of medical professionals and with treatments done, limited geographical reach and competition from established players. The rating, however, derives strength from the established track record of operations, regulatory approvals in place, wide range of specialty services offered & established infrastructure, healthy occupancy levels, comfortable solvency position and growing demand for healthcare services in India.

**Rating Sensitivities**
**Positive Factors**

- Sustained and significant improvement in PBILDT margins over ~17% going forward.
- Sustained and substantial increase in the scale of operations to around Rs. 180 cr.
- Full or significant realization of the recoverable from the defunct group concern

**Negative Factors**

- Higher than anticipated weakening of operating performance due to Covid-19 outbreak
- Further delays in the operationalization of the ongoing project or cost of the project exceeding the estimated level.
- Significant delay in realisation of recoverables from the defunct group concern
- Any funding support/ diversion to the group concerns/related parties affecting the credit profile of AHL

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**

**Modest scale of operations and fluctuating profitability margins:** The scale of operations of the company remained modest with a total income of Rs.103.75 Cr. in FY19. The same, however, increased by ~11% in FY19 primarily on account of increase in bed capacity in FY19 and increase in the rates of various services (which is undertaken from time to time), leading to the revenue growth. The PBILDT margins declined in FY19 to 14.71% from 15.15% in FY18 on account of higher payments made for consultations and higher legal and professional charges incurred in FY19. The PAT margins of the company declined to 0.13% in FY19 from 0.24% in FY18 mainly on account of an exceptional loss on sale of assets incurred in FY19 (amounting to Rs.4.48 cr.) and higher deferred tax liability in FY19

**High levels of recoverables outstanding with a defunct group concern:** AHL had started a second hospital in Gurugram, Haryana in FY12. However, owing to losses incurred at the hospital, the operations were ceased and hived off from AHL to a new entity, Alchemist Hospitals (Gurgaon) Private Limited (AHGPL). AHL had infused unsecured loans in AGHPL to fund its losses. The outstanding amount stood at Rs.20.68 Cr. as on March 31, 2019. The amount and timing of realization of this amount remains uncertain. *Recovery of the funds and writing off of any significant amount of recoverable will adversely impact the financial risk profile of the company and remains a key rating sensitivity.*

<sup>11</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications



**Concentration in the revenue stream:** The company derived ~58% of its total operating income in FY19 from the top five departments, with the cardiology department alone constituting ~18% of the total income in FY19. The revenue stream of the company is therefore associated with a concentration risk. The continued availability of professionals in the department and maintenance of service quality will directly affect the revenue stream of the company from these departments.

**Project implementation risk especially in light of the Covid-19 outbreak:** The company had commenced a capex in FY18 for construction of an additional building, addition of ~60 beds, addition of other medical facilities and purchase of equipment etc. at its existing premises. The total estimated cost of ~Rs.38 Cr. was proposed to be funded through a term loan of Rs.28 Cr. (already tied up) and remaining through the internal accruals generated. The first phase of this project for 30 beds was already completed in September, 2019. However, the second phase for additional 30 beds was expected to commission in March-2020 which got delayed due to outbreak of COVID-19 and is now expected to be completed in May, 2020. Further, the company is also constructing two extra floors in the existing buildings, approval for which was received earlier. On the additional floors, the company plans to add both medical and administrative facilities. The additional cost proposed to be incurred has been estimated at Rs.14.21 Cr. which is to be funded through an additional term loan of Rs.8 Cr. (yet to be availed) and remaining through the internal accruals generated. Successful completion of the capex within the time and cost estimates will remain a key rating sensitivity. Subsequently, the ability of the company to achieve the revenue and profitability as envisaged will also remain key rating sensitivities.

**Risks in the healthcare industry associated with the availability and attrition of medical professionals as-well-as the treatments done:**

Presence of qualified medical professionals such as doctors, paramedical staff and support staff is one of the important requisites of any hospital to be successful and to get continued patronage from the local population. There is an increasing level of competition and the scarcity of medical specialists in the domestic healthcare industry. Furthermore, healthcare is a highly sensitive sector where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can damage the reputation of the hospital to a large extent. In such an industry scenario, operations of hospitals like AHL are also therefore, highly dependent on the availability of qualified medical professionals and its ability to retain its current pool.

**Limited geographical reach and competition from established players in the region:** The company is operating a single hospital in Panchkula (Haryana). This limits the ability to tap opportunities and revenue. Further, though the hospital has an established oncology and cardiology department, it faces stiff competition from several other private hospital chains. This leads to competition not only in acquiring patients, but also in attracting medical professionals.

### Key Rating Strengths

**Established track record of operations, regulatory approvals in place and healthy occupancy levels:** The company was originally incorporated in 1994 as Kaiser Hospital Limited and operated the single hospital in Panchkula under the name 'Kaiser Hospital'. It was subsequently acquired by the current promoters in 2006 and rechristened as Alchemist Hospitals Limited. The operations of the company are being looked after by its current director, Mr. Karan Deep Singh (Son of Mr. Kanwar Deep Singh, former Member of Parliament and the founder promoter of the Alchemist Group). He holds an industry experience of twelve years. He is supported by an experienced management team. The hospital has been operational for around two and a half decades now leading to an established track record in the Panchkula, Haryana region. The occupancy levels in the hospital remained healthy and stood at ~79% in FY19. The patient volumes in the IPD (In Patient Department) segment have also been increasing in the past. The hospital holds accreditations from National Accreditation Board for Hospitals and Healthcare Providers (NABH) as well as National Accreditation Board for Testing and Calibration Laboratories (NABL). This leads to an advantage to the company in terms of attracting patients as well as medical professionals. The hospital derives most of its income each year from private patient inflow (~75% in FY19). The hospital also has tie ups with several reputed Third Party Administrators and private & public institutions. Further, the hospital is also empanelled under the CGHS (Central Government Health Scheme) and ECHS (Ex Servicemen Contributory Health Scheme) schemes of the government. This segment constituted ~5% of the total income in FY19. However, due to the outbreak of COVID-19, the company is generating lower revenue as the elective surgeries and OPD have been stopped at the hospital. Further, in light of the outbreak, higher than anticipated weakening of operating performance will remain a key rating sensitivity.

**Established infrastructure and wide range of services offered:** The 124 bedded multi-specialty hospital has medical professionals and associated infrastructure and equipment for various departments like oncology, neurology, cardiology, gynaecology etc. The hospital facilities are equipped with OPD (out-patient department) facilities, operation theatres, pathological lab, catheterization lab etc. along with technologically sound medical equipment and supporting infrastructure like Intensive Care Units, general wards, luxury rooms,

blood bank, pharmacy etc. The hospital is associated with several reputed doctors as well as consultants who are supported by a qualified and experienced staff. Most of the doctors are working with the hospital are working exclusively for it, though on consultancy basis.

**Comfortable overall solvency position:** The capital structure of the company remained comfortable with the debt to equity ratio and overall gearing ratio at 0.19x and 0.27x respectively, as on March 31, 2019; as compared to 0.08x and 0.18x respectively, as on March 31, 2018. The interest coverage ratio and total debt to GCA also stood comfortable at 8.17x in FY19 and 3.54x as on March 31, 2019, respectively (PY: 10.81x and 2.35x respectively).

**Growing demand in the healthcare sector:** The hospital Industry is the largest segment of India's healthcare sector. The growth drivers include rise in per capita spending on healthcare, change in demographic profile, increase in health insurance penetration and fast growing medical tourism market.

**Liquidity : Adequate:** The current ratio and quick ratios of the company stood comfortable at 2.47x and 2.35x respectively, as on March 31, 2019 (PY: 2.08x and 1.96x respectively). The company had free cash and bank balance of Rs.4.80 cr. and unencumbered fixed deposits of Rs.0.17 Cr. as on March 31, 2019. The company had a total debt repayment obligation of Rs.1.85 Cr. in FY20 met through internal accruals generated by the company. The average utilization of the working capital borrowings stood comfortable at ~71% for the last 12 months ending February, 2020. The operating cycle of the company remained at ~29 days as on March 31, 2019.

**Analytical approach:** *Standalone*

#### Applicable Criteria

Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings

Rating Methodology – Service Sector Companies

Rating Methodology - Hospitals

CARE's Policy on Default Recognition

Financial ratios – Non-Financial Sector

#### About the Company

The company was initially incorporated under the name Kaiser Hospitals Limited in 1994. This company operated a single hospital property under the name 'Kaiser Hospital' in Panchkula, Haryana. It was subsequently acquired by the current promoters in 2006 and rechristened as Alchemist Hospitals Limited (AHL). The hospital was also renamed 'Alchemist Hospital'. The multi-specialty tertiary hospital has 124 operational beds as on March 31, 2019. The hospital offers a wide range of services in various specialty segments like: oncology, cardiology, joint replacements, laparoscopic surgery, neurology and neuro surgery, pediatric surgery, endocrinology, plastic surgery etc., along with medicine and general surgery. Related parties of the company include various entities of the Alchemist group including Alchemist Limited, Alchemist Realty Limited, etc.

**Covenants of rated instrument / facility:** *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 93.71    | 103.75   |
| PBILDT                       | 14.20    | 15.26    |
| PAT                          | 0.23     | 0.14     |
| Overall gearing (times)      | 0.18     | 0.27     |
| Interest coverage (times)    | 10.81    | 8.17     |

A: Audited

**Status of non-cooperation with previous CRA:** India Ratings has reviewed the ratings on the best available information and classified AHL as 'non-cooperating' vide PR dated June 19, 2019.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument                 | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Term Loan              | -                | -           | June - 2026   | 42.38                         | CARE BB+; Stable                          |
| Fund-based - LT-Working Capital Limits | -                | -           | -             | 13.00                         | CARE BB+; Stable                          |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                  | Rating history                            |   |   |   |
|---------|--|-----------------|--------------------------------|------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating           | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1.      | Fund-based - LT-Term Loan              | LT              | 42.38                          | CARE BB+; Stable | 1)CARE BB+; Stable (28-Jun-19)            | -   | -   | -   |
| 2.      | Fund-based - LT-Working Capital Limits | LT              | 13.00                          | CARE BB+; Stable | 1)CARE BB+; Stable (28-Jun-19)            | -   | -   | -   |

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

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**Shapoorji Pallonji and Company Private Limited**

April 7, 2020

**Ratings**

| Facilities                                      | Amount<br>(Rs. crore)                          | Rating <sup>12</sup>  | Rating Action   |
|---|--|---|---|
| <b>Proposed Non-Convertible Debenture (NCD)</b> | <b>500.00</b><br>(enhanced from Rs.100 crore)  | <b>CARE A+ (Single A Plus)</b><br>(Credit Watch with Developing Implications) | <b>Continues on credit watch with developing implications</b> |
| <b>Commercial Paper Issue</b>                   | <b>1500.00</b><br>(Reduced from Rs.2500 crore) | <b>CARE A1+ (A One Plus)</b><br>(Credit Watch with Developing Implications)   | <b>Continues on credit watch with developing implications</b> |
| <b>Total</b>                                    | <b>2,000.00 (Rs.Two thousand crore only)</b>   |   |   |

*Details of instruments in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the proposed Non-Convertible Debenture (NCD) issue and the commercial paper (CP) issue of Shapoorji Pallonji and Company Private Limited (SPCPL) continue to remain under credit watch with developing implications. The ratings derive strength from the strong and resourceful promoter group Shapoorji Pallonji Group (SP Group, headed by Mr. Shapoor Mistry and Mr. Cyrus Mistry), proven track record and customer base in the infrastructure and real estate business, increase in revenue during FY2019 and well-diversified order book that provide healthy revenue visibility over medium term and adequate liquidity. CARE also notes the progress made by SPCPL in reduction of its off-balance sheet exposure in the form of financial and performance guarantees given to its subsidiaries and group companies since last review.

However, the rating strengths are tempered by the continued & highly leveraged capital structure (both at standalone as well as consolidated level), high collection period, slower than expected progress in projects under Special Purpose Vehicles (SPVs), delay in asset monetization timelines and moderation in the financial flexibility of the group, necessitating substantial refinancing of debt maturities and reliance on promoter funding. The ratings also take into account, the time lag in company's progress in meeting the milestones conveyed to CARE and the significant increase in its debt levels, which is attributed to the corporate financial support extended to its various group entities.

The management has however reiterated its commitment to pare its corporate guarantee backed debt and improve liquidity in the system through sizeable promoter fund infusion in Q1FY21, monetization of assets (sale of land bank and divestment from solar, road and overseas assets) and further reduction in short term debt availed by the group. As a result, the ratings assigned to the Commercial Paper issue and the proposed Non-Convertible Debentures continue to remain under 'Credit Watch with Developing Implications'. The credit watch will be reviewed and/or resolved in H1FY21 subject to timely fructification of the aforementioned initiatives, which are key rating considerations.

**Rating Sensitivities**
**Positive Factors**

- Overall gearing ratio of SPCPL reducing below 2.5x as on March 31, 2020

**Negative Factors**

- Deterioration of overall gearing ratio of SPCPL beyond 5x as on March 31, 2020.
- Inability of SPCPL to achieve success in its asset monetization plans and refinancing plans within envisaged timeframe thereby impacting its financial flexibility as well as liquidity.

**Detailed description of the key rating drivers**
**Key Rating Strengths**

**Strong and resourceful promoter group:** The Shapoorji Pallonji group is one of the India's oldest and well reputed business groups in the construction, infrastructure and real estate space, with more than 154 years history. As the group's flagship company, Shapoorji Pallonji & Company Private Limited (SPCPL) benefits from vast experience of its highly qualified promoters and management as well

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications



as from the group's resourcefulness and ability to raise fund through capital market instruments. The promoters also infused funds aggregating Rs.1740 crore during FY19 and Rs.1904 crore during FY2020.

The group also raised funds through IPO of SWSL in FY20, albeit lower than estimated.

Nevertheless, with an intent to deleverage SPCPL and its group companies and augment the long term resources, the promoters have articulated their continued support by way of proposed fund infusion of approximately USD 1 billion during Q1FY21 which is crucial for improving the credit profile of SPCPL.

**Strong customer base and healthy revenue visibility over the medium term with well-diversified order book:** Over the years, SPCPL has demonstrated its ability to execute large scale complex projects in various domains – both in India as well as overseas; and has thereby developed long standing relationships with strong and reputed clientele enabling it to get repeat orders.

At a standalone level, the construction business remains the mainstay of SPCPL, accounting for over 90% of SPCPL's revenues. As on March 31, 2019 the order book stood at Rs.35,570 crore (as against Rs.35,000 crore as on December 31, 2018) reflecting order book to sales ratio of 2.69 times of FY19 revenues. As on December 31, 2019, the order book stood at Rs.41,533 crore, reflecting order book to sales ratio of 3.38 times of FY19 construction revenue. The well-diversified order book across sectors, geographies and clientele provides revenue visibility over the next 3-4 years. The order-book contains design and build contracts and orders from overseas clientele, which have relatively higher margins.

**Improvement in operating performance during FY19, albeit subdued profitability:** With robust order book and execution of the same during FY2018-19, total operating income of SPCPL on a standalone basis, registered growth of about 37% to Rs.13,206 crore from about Rs.9,673 crore in FY2017-18. However, SPCPL's PBILDT (Profit Before Interest, Lease, Depreciation and Taxes) margin declined to 10.01% during FY19 as against 11.90% during FY18. PAT Margins declined by 74 bps to 2.79% in FY19 from 3.53% in FY18. On a consolidated basis, total operating income of SPCPL registered a growth of about 26% to Rs.49,332 crore in FY19 from about Rs.39,164 crore in FY18. However, the PBILDT margin declined from 7.9% in FY18 to 7.77% in FY19.

#### Key Rating Weaknesses

**Moderation in high financial flexibility enjoyed in the past:** SP Group holds several land parcels in the country with market value which offers substantive appreciation over its book value at present, part of which is expected to be monetised in the near future to improve its financial profile. Accordingly, the company has large number of long term investments held through its subsidiaries, JVs and associates in diverse fields such as real estate, electrical contracting, water purification, infrastructure development, etc. some of which the company plans to monetise by way of stake sale of fresh private equity investments. Furthermore, the promoters of Shapoorji Pallonji group are the single largest stakeholder of Tata Sons Private Limited (TSPL, holding company of the Tata Group) with 18.37% stake. Basis discussion with the promoters and the management of the company, CARE believes liquidity of these investments continues to remain adequate. The company's holding of the diverse investments lend financial flexibility to the various group companies and also strengthens the group's credit profile.

However, during November 2019, promoters of SWSL cited tight credit market scenario and requested and received approval from the SWSL's Board towards extension in timelines and creation of a revised repayment schedule so as to settle the Inter Corporate Deposits from Sterling Wilson Private Limited (SWPL) and Sterling Wilson International FZE (SW FZE) to SWSL, which arose as a result of demerger of SWSL from SWPL. Hence, there appears to be moderation in the financial flexibility enjoyed by the group in the given market conditions.

Nevertheless, Rs.1000 crore was repaid by December 31, 2019 and based on the revised repayment schedule, Rs.500 crore was repaid by March 31, 2020.

**Highly leveraged capital structure with high off-balance sheet exposure in the form of guarantees, albeit reduction from earlier level:** : The total reported debt of SPCPL on standalone basis has seen an increase from Rs.9,762 crore (including mobilization advances of Rs. 2,149 crores, Promoter Loans of Rs 134 crores and Preference Share Capital of Rs 100 crores) as on March 31, 2018 to Rs.11,745 crore (including mobilization advances of Rs. 2,252 crores, Promoter Loans of Rs 1,374 crores and Preference Share Capital of Rs 100 crores) as on March 31, 2019. As on December 31, 2019 total reported external debt (excluding mobilization advances) stood at Rs.9,533 crore which declined to Rs.9,284 crore as on February 29, 2020. Further as at December 31, 2019, the financial guarantees given by SPCPL had reduced to Rs.2,333 crore from Rs.2,943 crore as on March 31, 2019 (this does not include debt amount covered in form of letter of comfort given by SPCPL to its various subsidiaries/associates/joint ventures, the performance guarantees given and the principle outstanding of DSRA guarantees). During FY2020 (upto December 31, 2019), SPCPL has reduced Rs.1,833 crore of DSRA guarantee (principal amount) and total financial guarantees (including corporate guarantees and DSRA principal) by Rs.2,349 crore from the March 31, 2019 levels.



During FY2018-19, the funds infusion from promoters along with monetization of assets contributed to over Rs.2,550 crore, which were largely used towards recapitalizing and meeting the commitments of various group companies. The substantial repayments -Rs.3000 crore falling due in H2FY20 at SPCPL (standalone) level were repaid with the help of operational cash flows, refinancing of part debt and promoter infusion amounting to Rs.1904 crore despite delay in progress with respect to the asset monetization and divestment plans. Further at consolidated level, the external debt position stood high at Rs.33,407 crore (including mobilization advances of Rs.4,095 crore) as on March 31, 2019 against Rs.25,692 crore (including mobilization advances of Rs.2,743 crore) as on March 31, 2018.

**High collection period; albeit improvement seen in FY2019:** SPCPL had a high collection period of 133 days for the year ended March 31, 2018, which had marginally improved to 117 days for the year ended March 31, 2019, leading to an improvement in the working capital cycle to 33 days (FY19) from 41 days (FY18). Further, as per provisional accounts as on December 31, 2019, SPCPL had outstanding debtors of Rs.3,926 crore, of which, Rs.1,911 crore (including retention of approximately Rs.1300 crore) is outstanding for more than 365 days and Rs.1,445 crore is outstanding for less than 180 days.

Further, as per management discussion, dues amounting to Rs.476 crore are pending against the Andhra Pradesh projects and the concerned ministry of Government of Andhra Pradesh had assured that the payments shall be released in March 2020, which subsequently stand extended in view of ongoing nationwide lockdown triggered by COVID-19.

**Slower than expected progress projects under SPVs:** SPCPL has invested in various projects, through subsidiaries/associates/JVs in the infrastructure and real estate sectors. These projects have long gestation periods and require continuous support, until they achieve stabilization and starts generating operational cash flows. Management in the past had provided guidance on reduction in debt and guarantees to be seen through assets monetization at various SPV levels, however the same has started to gain traction.

#### Liquidity: Adequate

SPCPL has adequate liquidity in the form of free cash and bank balance of ~Rs.1000 crore as on February 29, 2020 along with undrawn fund based working capital limits of ~Rs.95 crore. The significant number of land parcels held by the group and investments in various subsidiaries (few of which are at various stages of monetization) also provide comfort on the liquidity of SPCPL. The high debt repayments aggregating Rs.1012 crore falling due in March 2020, with large portion of the same relying on refinancing and asset monetization, have been repaid on time. Additional promoter infusion of Rs.1,904 crore during the period April 2019 to February 2020 has brought in immediate liquidity in SPCPL. Timely completion of refinancing and realization of asset monetization plans is crucial.

**Analytical approach:** While SPCPL's core operations are EPC in nature, it is also the holding company for its various group companies. Consequently, it has extended substantial financial support to its subsidiaries/associates/JVs, in the form of investments/guarantees which are also factored in the credit assessment. (See Annexure 3 for the list of entities for which guarantee is provided by SPCPL).

#### **Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Consolidation and Factoring Linkages in Rating](#)

[Rating Methodology – Construction Sector](#)

[Rating of Short Term Instruments](#)

[Rating of loans by investment holding companies](#)

[Financial Ratios – Non financial sector](#)

#### **About the Company**

SPCPL, the holding-cum-operating and the flagship company of the Shapoorji Pallonji Group (SP Group, refers to companies ultimately held by the Mistry family). SPCPL is equally held by Mr. Shapoor P. Mistry and Mr Cyrus P. Mistry through the group's investment companies.

The Shapoorji Pallonji group is an extensive conglomerate with business interests in several sectors such as real estate, coal mining, power, ports, roads, biofuels & agriculture, shipping & logistics, consumer products, textiles etc. Most of Shapoorji Pallonji groups' businesses are held by SPCPL as subsidiaries, JVs and associates. During its more than 154 years of operations, Shapoorji Pallonji group has built diverse civil and engineering structures like factories, nuclear waste handling establishments, stadiums and auditoriums, airports, hospitals, hotels, housing complexes, water treatment plants, roads and power plants, Floating Production Storage and Offloading (FPSO) around the world.

Construction division continues to focus on quality clients in the domestic and international markets. Besides, real estate is very selective with the focus on affordable, premium housing in major cities. In the recent past the group has focused on growing their Design and Build (D&B) order book which would allow greater margins on contracts along with an increased focus on government projects (healthcare, water, education, etc.).

**Covenants of rated instrument / facility:** Not Applicable

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income       | 9,673    | 13,206   |
| PBILDT                       | 1,151    | 1,322    |
| PAT                          | 342      | 368      |
| Overall gearing (times)      | 3.85     | 3.46     |
| Interest coverage (times)    | 1.58     | 1.55     |

A: Audited; Note: Financials are classified as per CARE's internal standards

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument                | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook                  |
|---------------------------------------|------------------|-------------|---------------|-------------------------------|--|
| Debentures-Non Convertible Debentures | -                | -           | -             | 500.00                        | CARE A+ (Under Credit watch with Developing Implications)  |
| Commercial Paper                      | -                | -           | 7 to 364 days | 1500.00                       | CARE A1+ (Under Credit watch with Developing Implications) |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |   | Rating history                            |  |   |  |
|---------|--|-----------------|--------------------------------|---|---|--|---|--|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating  | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020  | Date(s) & Rating(s) assigned in 2018-2019                               | Date(s) & Rating(s) assigned in 2017-2018                        |
| 1.      | Debentures-Non Convertible Debentures  | LT              | 500.00                         | CARE A+ (Under Credit watch with Developing Implications) | -   | 1)CARE A+ (Under Credit watch with Developing Implications) (26-Nov-19)<br>2)CARE AA- (Under Credit watch with Developing Implications) (06-Jun-19)<br>3)CARE AA (Under Credit watch with Developing Implications) (05-Apr-19) | 1)CARE AA (Under Credit watch with Developing Implications) (07-Dec-18) | 1)CARE AA+; Stable (16-Mar-18)<br>2)CARE AA+; Stable (24-Apr-17) |
| 2.      | Commercial Paper                       | ST              | 1500.00                        | CARE A1+ (Under Credit watch with                         | -   | 1)CARE A1+ (Under Credit watch with Developing   | 1)CARE A1+ (07-Dec-18)  | 1)CARE A1+ (16-  |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                                |                          | Rating history                            |   |   |   |
|---------|--|-----------------|--------------------------------|--------------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (Rs. crore) | Rating                   | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020   | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
|         |  |                 |                                | Developing Implications) |   | Implications)<br>(21-Feb-20)<br>2)CARE A1+ (Under Credit watch with Developing Implications)<br>(26-Nov-19)<br>3)CARE A1+ (06-Jun-19)<br>4)CARE A1+ (05-Apr-19) |   | Mar-18)<br>2)CARE A1+ (25-Oct-17)         |

**Annexure-3: Name of Group Companies which derive support from SPCPL**

| Sr. No   | Name of Company  |
|----------|--|
| <b>A</b> | <b>Financial Guarantees</b>                            |
| 1        | Bengal Shapoorji Housing Development Pvt Ltd           |
| 2        | Floreat Investments Ltd                                |
| 3        | Forbes & Company Ltd                                   |
| 4        | Forvol International Services Ltd                      |
| 5        | Galina Consultancy Services Pvt Ltd                    |
| 6        | Gokak Power & Energy Ltd                               |
| 7        | Grand View Estates Pvt Ltd                             |
| 8        | High Point Properties Pvt Ltd                          |
| 9        | Joyville Shapoorji Housing Pvt Ltd                     |
| 10       | Master Management Consultants (I) Pvt Ltd              |
| 11       | Next Gen Publishing Ltd                                |
| 12       | Palchin Real Estates Pvt Ltd                           |
| 13       | PNP Maritime Services Pvt Ltd                          |
| 14       | S D Corporation Pvt Ltd                                |
| 15       | S D SVP Nagar Redevelopment Pvt Ltd                    |
| 16       | Shapoorji Pallonji Forbes Shipping Ltd                 |
| 17       | Shapoorji Pallonji Infrastructure Capital Co Pvt. Ltd. |
| 18       | Shapoorji Pallonji Mid East LLC                        |
| 19       | Shapoorji Pallonji Oil and Gas Pvt Ltd                 |
| 20       | Skyscape Developers Pvt Ltd                            |
| 21       | SP Cement Gujarat Pvt. Ltd.                            |
| 22       | SP Imperial Star Pvt Ltd                               |
| 23       | Sunny View Estates Pvt Ltd                             |
| 24       | TN Solar Power Energy Pvt Ltd                          |
| <b>B</b> | <b>Performance / Bid Bond Guarantee</b>                |
| 1        | Flamboyant Developers Pvt Ltd                          |
| 2        | Kanpur River Management Pvt Ltd                        |
| 3        | Mydream Properties P Ltd                               |
| 4        | Precaution Properties Pvt. Ltd.                        |

| Sr. No | Name of Company   |
|--------|---|
| 5      | Shapoorji Pallonji & Co - KIPL Sewerage JV                              |
| 6      | Shapoorji Pallonji and Co Pvt Ltd and Shapoorji Pallonji Qtar W.L.L. JV |
| 7      | Shapoorji Pallonji Bumi Armada Godavari Pvt Ltd                         |
| 8      | S P Armada Oil Exploration Pvt. Ltd                                     |
| 9      | SP-NMJ Project Private Limited  |
| 10     | Sterling & Wilson Engineering (PTY) Ltd                                 |
| 11     | Sterling & Wilson Ltd   |

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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##### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**