

**IL&FS Engineering and Construction Company Limited**  
**October 05, 2018**

**Ratings**

Facilities	Amount(Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Facilities	902.81	CARE D (Single D)	Revised from CARE BB; Negative (Double B ; Outlook: Negative)
Short-term Facilities	2,188.52	CARE D (Single D)	Revised from CARE A4 (A Four)
<b>Total Bank facilities</b>	<b>Rs.3,091.33 crore (Rupees Three Thousand Ninety One Crore and Thirty Three Lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rating Rationale and Key rating drivers**

The revision in the rating of IL&FS Engineering and Construction Company Limited (IECCL) factors in the delay in debt servicing obligation on its rated facilities.

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

**Delays in servicing of debt obligations:** The company had delayed in its debt servicing obligation on its rated facilities.

**Deterioration in the liquidity profile of its promoter, IL&FS:** As a part of the deleveraging plan, Infrastructure Leasing and Financial Services group (IL&FS, rated CARE D) had envisaged monetization of certain identified assets to reduce debt levels, infusion of equity capital to decrease leverage as well as have a funding line from its shareholder entities as a liquidity measure. However, the deleveraging has taken longer time than expected, while uncertainty about the timely infusion of funds vis-à-vis impending debt payment obligations in the near term has severely impacted the liquidity profile of the promoter and the group entities.

**Analytical approach:** CARE has taken a consolidated approach. For arriving at the ratings, CARE has factored in the fund based timely support from IL&FS group extended to IECCL for operations and debt servicing.

**Applicable Criteria**

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

**About the Company**

IECCL is engaged in infrastructure development which includes construction and project management services operating across different countries.

Subsequent to the Satyam Scam, in September 2009, Infrastructure Leasing and Financial Services group (IL&FS, rated CARE D) was inducted by Company Law Board (CLB) of India as the new promoter of IECCL (erstwhile Maytas Infra Limited) with the mandate to put the company back on track. As on Sep 30, 2018, IL&FS group holds 42.25% of equity share capital of the company.

In 2009, along with induction of IL&FS as the new promoter, IECCL got a Corporate Debt Restructuring (CDR) package approved, whereby lenders agreed to convert the existing facilities into fresh loans, preference and equity shares. In 2010, Saudi Bin Laden Group of Saudi Arabia (SBG, holds 27.87% of equity share capital) was inducted as the second major shareholder.

Since assuming charge, IL&FS has worked aggressively and rebuilt the company by developing a comprehensive and implementable business plan for the company, finalized a restructuring package enabling the organization to grow, securing new orders to enhance the profitability. IECCL presently undertakes construction of roads, industrial structures, irrigation canals and dams, rural and urban electrification and power projects. The company has forayed into new business segments such as sea ports, rail and rail based systems including metros, oil and gas sector, water treatment, and power transmission and distribution.

Brief Financials –Consolidated	FY17 (A)	FY18 (A)
	(Rs. crore)	(Rs. crore)
Total operating income	1938.44	2112.25
PBILDT	263.79	399.74
PAT	(46.29)	15.16
Overall gearing (times)	NM	NM
Interest coverage (times)	0.76	0.98

*A: Audited and reinstated as per IND AS*

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

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

**Any other information:** Not applicable

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

**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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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.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 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/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. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is 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.

#### **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	352.81	CARE D
Fund-based - LT-Working Capital Limits	-	-	-	550.00	CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	2188.52	CARE D

#### **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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	352.81	CARE D	1)CARE BB; Negative (11-Sep-18) 2)CARE BBB-; Stable (04-Apr-18)	-	1)CARE BBB-; Stable (09-Feb-17)	1)CARE BBB- (21-Jan-16) 2)CARE BBB- (22-Apr-15)



2.	Fund-based - LT-Working Capital Limits	LT	550.00	CARE D	1)CARE BB; Negative (11-Sep-18) 2)CARE BBB-; Stable (04-Apr-18)	-	1)CARE BBB-; Stable (09-Feb-17)	1)CARE BBB- (21-Jan-16) 2)CARE BBB- (22-Apr-15)
3.	Non-fund-based - ST-Working Capital Limits	ST	2188.52	CARE D	1)CARE A4 (11-Sep-18) 2)CARE A3 (04-Apr-18)	-	1)CARE A3 (09-Feb-17)	1)CARE A3 (21-Jan-16) 2)CARE A3 (22-Apr-15)
4.	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1)Withdrawn (11-Sep-18) 2)CARE A1+ (SO) (04-Apr-18)	1)CARE A1+ (SO) (20-Jul-17) 2)Provisional CARE A1+ (SO) (12-Jul-17) 3)Provisional CARE A1+ (SO) (29-Jun-17)	-	-

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