Sadbhav Infrastructure Project Limited

March 25, 2020

Ratings

Instruments*	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Non-Convertible Debentures-II	19.90 (120.00)	**CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]**	Removed from Credit watch; Rating revised from CARE A (CE) [Single A (Credit Enhancement)]
Long-term Non-Convertible Debentures-III	189.30 (250.00)	**CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]**	Removed from Credit watch; Rating revised from CARE A (CE) [Single A (Credit Enhancement)]
Long-term Non-Convertible Debentures-IV	102.00 (170.00)	**CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]**	Removed from Credit watch; Rating revised from CARE A (CE) [Single A (Credit Enhancement)]
Long-term Non-Convertible Debentures-V	127.40 (190.00)	**CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]**	Removed from Credit watch; Rating revised from CARE A (CE) [Single A (Credit Enhancement)]
Total Instruments	**438.60 (Rupees Four Hundred Thirty Eight Crore and Sixty Lakhs Only)**		

Details of instruments in Annexure – 1

**backed by unconditional and irrevocable corporate guarantee of Sadbhav Engineering Limited [SEL; rated CARE A-; Stable / CARE A2+]*

Detailed Rationale & Key Rating Drivers

The rating assigned to the non-convertible debentures (NCD) issue of Sadbhav Infrastructure Project Limited (SIPL) takes into account the unconditional and irrevocable corporate guarantee extended by Sadbhav Engineering Limited [SEL; rated CARE A-; Stable / CARE A2+].

The ratings assigned to the bank facilities and instruments of SEL have been removed from 'Credit watch with Developing Implications' in light of completion of divestment of SIPL's entire equity stake in eight out of nine operational road special purpose vehicles (SPVs) to InvIT portfolio of IndInfravit Trust (IndInfravit), receipt of significant portion of the envisaged consideration (Rs.1,459 crore in cash out of total cash proceeds of Rs.1,908 crore) and emergence of substantial clarity on the end use of stake sale proceeds from Sadbhav group's management. As of March 19, 2020, SIPL has received cash proceeds of Rs.1,459 crore in cash in three tranches and Rs.724 crore in form of InvIT units equivalent to 10% stake in IndInfravit Trust for these eight SPVs. CARE also notes that significant portion of the stake sale proceeds have been utilized for rationalization of Sadbhav group's debt (Around Rs.825 crore of external debt has been paid off at standalone level) as envisaged earlier. Further, concessioning authority approval for Ahmedabad Ring Road Infrastructure Limited [ARRIL, rated CARE A (Under Credit watch with Developing Implications)] is pending, which as per management's articulation, is under process and thus, ARRIL is expected to be transferred to IndInfravit by Q1FY21, proceeds of which shall be utilized for further rationalization of debt. As per management articulation, post stake sale transaction, SIPL shall continue to be the maintenance contractor for these nine assets and SIPL would have the right of first offer (ROFO) option for selling its stake in future operational Hybrid Annuity Model (HAM) assets to IndInfravit Trust.

Simultaneously, ratings have been revised on account of deterioration in operating performance marked by significant built up of current asset levels despite decline in total operating income during 9MFY20 (refers to the period April 1 to March 31) and delay in execution of majority of its HAM asset portfolio due to various challenges including issues related to land acquisition, de-scoping/de-linking approvals, along with challenging funding scenario. This has been reflected from gross current asset days of around 400 days during 9MFY20 as compared to 263 days for FY19. Slower equity infusion by the sponsor and delay in execution of the portfolio increased the propensity to support them till stabilization of revenue stream.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Further, this is against CARE's earlier expectation of release of significant portion of working capital blocked in receivables of HAM projects and completion of four out of the eight on-going HAM projects by March 2020, albeit one of HAM assets has applied for PCOD.

The ratings also take cognizance of the fact that there has been reduction in combined leverage of the group through utilization of stake sale proceeds, reduction in equity commitments for HAM projects upon termination of the group's three HAM projects, potential upside in cash flows including receipt of arbitration proceeds, expected receipt of mobilisation advance in some HAM projects in the near term, upstreaming of surplus cashflows from Maharashtra Border Check Post Network Limited (MBCNL; rated CARE A; Negative) and financial flexibility available in the form of stake in the listed units of IndInfravit Trust alongwith expected cash flows in the form of dividend income from the units.

The ratings however, continue to be constrained by delay in execution of HAM portfolio, increased working capital intensity of SEL and subdued performance of two of its operational SPVs. The ratings also factor Sadbhav group's exposure to inherent risks associated with BOT projects (which has although reduced from 12 projects to 4 due to stake sale) especially in current scenario of Covid-19 pandemic and inherent challenges faced by the construction sector, including the current challenging fund raising scenario for the sector.

CARE also notes that as per stock exchange announcement dated October 19, 2019, SIPL would be merged with SEL with effect from April 1, 2019 subject to various statutory and regulatory approvals including approval of National Company Law Tribunal (NCLT). However, the merger is not expected to have any material impact on the ratings due to CARE's approach of taking a combined view of SEL (standalone) and SIPL (standalone) for analytical purpose and common management as well business linkages of both the companies.

Rating sensitivities

Positive factors

- Monetization of sizeable investment in HAM SPVs leading to release of current assets built up at SEL level
- Significant growth in TOI and improvement in the current asset days below 180 days

Negative factors

- Inability to improve stretched current assets levels and pace of execution of HAM projects within envisaged time frame
- More than envisaged support to BOT projects impacting debt coverage indicators of SEL
- Delay in receipt of new orders from Engineering Procurement and Construction (EPC) segment as envisaged by management
- Any step up of coupon rate or accelerated repayment triggered by change in rating

Detailed description of the key rating drivers of guarantor - SEL

Stretched current assets position along with delay in execution of majority of its HAM asset portfolio leading to more than envisaged decline in total operating income

SEL's working capital intensity has increased marked by increase in current assets from Rs.2,504 crore as on March 31, 2019 to Rs.2,915 crore as on September 30, 2019 with increase in gross current assets days from 263 days during FY19 to around 400 days during 9MFY20. The current asset days have elongated mainly due to increase in debtors pertaining to escalation portion and change of scope in some of its on-going HAM projects apart from GST receivables as well as due to delay in term debt disbursement by lenders owing to challenging fund raising environment prevailing in the construction sector. Further, some of the EPC projects could not realize any debtors out of large revenue booked during 9MFY20 due to stage payment. Although outstanding debtors reduced as on January 31, 2020, it is expected to remain considerably higher as on March 31, 2020 as compared to earlier expectations.

Project execution has also slowed down during 9MFY20 during which, only 15% of the outstanding order book as on March 31, 2019 has been executed. Also, nine on-going HAM projects (including Sadbhav Gadag, which received appointed date on March 12, 2020) of Sadbhav Group constituted around Rs.4,056 crore in SEL's total order book as on September 30, 2019. Due to various hindrances encountered by these SPVs like delay in land availability and utility shifting, obtaining necessary clearances and delay in approval from NHAI for de-linking and de-scoping coupled with slowdown in execution due to increase in creditors level, seven of these SPVs are running behind schedule (EoTs have been received from NHAI in some assets). Creditor level has increased from Rs.435.26 crore as on March 31, 2019 to Rs.664.92 crore as on September 30, 2019 mainly due to delay in debt disbursements at project levels which has also contributed in delayed execution. Slowdown in project execution and increase in working capital intensity have resulted in declined in TOI on y-o-y basis from Rs.2,832 crore during 9MFY19 to Rs.2,087 crore during 9MFY20. Further, Sadbhav group on combined basis reported PAT of Rs.59 crore during 9MFY20 as against PAT of Rs.137 crore during 9MFY19.

Increase in the propensity to support their under construction HAM portfolio during their initial phase; albeit termination of three HAM projects has reduced the upfront equity commitment

As on February 29, 2020, Sadbhav group has infused around Rs.650 crore as equity commitments in under-construction HAM SPVs, while it further has equity commitments of Rs.470 crore spread over FY21 & FY22. Simultaneously, the group's scheduled equity commitments reduced by around Rs.395 crore due to termination of concession agreement for three of its HAM SPVs (i.e. Sadbhav Vizag Port Road Project Limited, Sadbhav Bhimasar Bhuj Highway Private Limited and Sadbhav Tumkur Highway Project Limited). However, due to delay in completion of these HAM SPVs, reliance on the sponsor (i.e. SIPL) to fund the shortfall during the initial phase has increased. However, funding of shortfall of HAM SPVs can be realized in the operational period notwithstanding deduction in first annuity and denying approval for extension of time (EOT). SIPL had availed bridge loan for meeting its interim working capital requirement, debt servicing and equity infusion in these HAM projects till receipt of stake sale proceeds, which it has repaid post receipt of stake sale proceeds. However, as articulated by the management, future equity commitment and shortfall is expected to be met by balance stake sale proceeds to be received, internal accruals and up-streaming of cash flows from MBCNL, proceeds from arbitration awards and sale of units in IndInfravit Trust.

Key Rating Strengths:

Completion of stake sale process with transfer of eight out of the nine projects and receipt of significant portion of the total envisaged stake sale proceeds: On July 1, 2019, SEL and SIPL made an announcement on stock exchange regarding execution of Share Purchase Agreements with IndInfravit Trust for selling their entire equity stake in their nine operational BOT SPVs (seven toll and two annuity based projects). As of March 20, 2020, SEL and SIPL have transferred eight out of the nine SPVs (i.e. excluding ARRIL) and has received stake sale proceeds of Rs.1,459 crore in cash in total three tranches in addition to the listed units of IndInfravit of Rs.724 crore, which provides significant financial flexibility. As informed by the company and as per various stock exchange announcements, these proceeds have been utilised for rationalisation of the debt levels of the group (Around Rs.825 crore of external debt has been paid off at standalone level)). Further, as indicated by the management, SIPL is at an advanced stage of obtaining approval from the concessioning authority of ARRIL, i.e. Ahmedabad Urban Development Authority (AUDA), which it expects to receive by April 2020 and thus, receive the stake sale proceeds for ARRIL till June 2020. Post stake sale, SIPL shall continue to carry out routine and major maintenance for these projects which is likely to maintain its revenue visibility in medium term. Approximate value of these contracts is Rs.4,000 crore over the balance concession period. Also, SIPL has entered into a ROFO agreement with IndInfravit for monetisation of its current and future operational assets.

Established track record in the Indian road construction sector: SEL has a sound track record of over two decades in the Indian road construction sector. SEL has successfully completed construction of more than 8,400 lane km of road projects since its establishment with majority of the BOT projects completed in a timely manner.

Moderate revenue visibility, albeit reduction due to termination of concessioning agreements of own HAM projects: SEL's order book is diversified across four broad segments: EPC of third party road projects, EPC of own BOT/HAM road projects, mining and irrigation. The order book of the company is geographically diversified with presence across various states of the country. SEL had a healthy and diversified order book of Rs.8,726 crore [2.27 times of its contract receipts for FY19 (refers to the period April 1 to March 31)] as on December 31, 2019; however, this has declined from Rs.11,981 crore as on March 31, 2019 largely on account of recent termination of the concession agreement for three of its HAM SPVs. The overall contribution of road & highway segment in the total order book of the company which is its core strength has also decreased to 72% as on December 31, 2019 as compared to 78% as on March 31, 2019. However, till 9MFY20, SEL and SIPL have executed orders of only 15% of the outstanding order book as on March 31, 2019. SEL plans to bid the EPC projects in road segment to enhance its revenue visibility. Going forward, extent of improvement in the revenue visibility shall be key rating monitorable.

Various initiatives undertaken by the Government of India (GOI) to improve the prospects of the road construction sector: GOI through National Highways Authority of India (NHAI; rated 'CARE AAA; Stable') has taken various steps to improve the prospects of the road sector. These include premium rescheduling for stressed projects, bidding of tenders only after 80% land has been acquired for the project, release of 75% of arbitration award against submission of bank guarantee and 100% exit for developers after two years of project completion and NHAI funding for projects that are stuck at advanced stages of completion. Furthermore, NHAI has made some favourable changes in the clauses of model concession agreement and introduced HAM based BOT projects to reduce the equity commitment of the developers. After witnessing steady increase in pace of award during last three years, pace of award has declined in FY19 due to moderation in the bidding appetite due to challenging fund raising scenario. EPC is, thus, envisaged to be the preferred mode of award till improvement in fund raising environment and bidding appetite of the developers. As informed by the management SEL has bid for eight EPC projects worth around Rs.7,000 crore.

Interest bearing working capital advance

As per NHAI's policy guidelines dated November 19, 2019, the concerned Project Director, NHAI (PD,NHAI), with prior approval of Regional Office, NHAI (PD, NHAI) may disburse an interest bearing working capital advance to the EPC contractor against unbilled executed work, which is not qualifying for payment under milestone based payment mechanism. This is expected to improve liquidity for the developers of HAM projects.

Key Rating Weaknesses:

Exposure of the group to inherent risks associated with BOT projects along with subdued performance of two of its SPVs, however, expected to reduce subsequent to sale of stake in operational SPVs: As on March 31, 2019, Sadbhav group had total investment (including loans and advances) of Rs.3,341 crore. Subsequent to stake sale, exposure in BOT projects is expected to be reduced significantly to around 60% based on the combined net-worth as of March 31, 2019 as against 112% as on March 31, 2019. SIPL has already infused around Rs.600 crore as on December 31, 2019 in its on-going HAM projects. Further, the under construction HAM projects of the group have equity commitments Rs.484 crore spread over FY21 & FY22. Due to delay in completion of the under-construction HAM projects, propensity to support these SPVs to meet the shortfall during their initial phase has increased. SIPL had also availed bridge loan for meeting its interim working capital requirement, debt servicing and equity infusion in HAM projects till receipt of stake sale proceeds, which it has repaid post receipt of stake sale proceeds. The equity commitments for these HAM projects (as stated above) and shortfall in two operational SPVs (not getting transferred) and some under construction HAM SPVs are expected to be fulfilled through the balance stake sale proceeds of ARRIL, internal accruals and up-streaming of cash flows from MBCNL. However, SIPL plans to terminate one of these three projects which mitigate this risk to an extent. As articulated by the management, the group also expects additional cash flows from receipt of arbitration awards from Dhule Palesner Tollway Ltd. [DPTL; rated CARE A (Under Credit watch with Positive Implications)] and Hyderabad-Yadgiri Tollway Pvt. Ltd. [HYTPL; rated CARE A (Under Credit watch with Positive Implications)] and receipt of compensation for toll exemption in ARRIL. Also, under the ROFO agreement with IndInfravit, the management expects monetization of four HAM SPVs once operational in FY21 and further monetization of two HAM SPVs once operational in FY22.

Challenging environment for the construction industry: The construction sector is facing hurdles in fund raising due to delay in enhancement of working capital limits (including non-fund based limits), delay in financial closure and equity raising plans on account of challenging business environment for the sector and weakened financial health of the banking sector. The inherent risk involved in the construction industry including aggressive bidding, traffic risk, interest rate risk, volatile commodity prices and delay in project progress due to resistance towards land acquisition and regulatory clearances have collectively affected the credit profile of the developers in the past. Exposure to three toll based projects also heightened traffic risk in current scenario of Covid-19 pandemic. Pace of award for NHAI is expected to remain subdued which is also expected to impact pace of construction in the near term.

Liquidity: Adequate

High working capital utilization due to stretched current assets; albeit expected to improve post stake sale in road SPVs: Stretched current assets primarily marked by high gross current asset days (around 400 days in 9MFY20, as against 263 days in FY19) and scheduled repayment obligations have resulted in moderation in liquidity indicators of Sadbhav group marked by higher reliance on working capital borrowing and moderate debt coverage indicators during FY19 and 9MFY20. Utilization of fund based limits continues to remain high at around ~95% for past twelve months ended January 2020. However, SEL has continued to reduce its reliance on outside consortium working capital borrowings during H1FY20 and 9MFY20, where it has reduced the same from around Rs.200 crore as on March 31, 2019 to around Rs.19 crore as on December 31, 2019.
However, SIPL has received Rs.1,459 crore in cash as stake sale proceeds from which the group has generated a cash surplus of around Rs.60-70 crore, which along with the balance stake sale proceeds of ARRIL and additional expected future cash flows are expected to be utilised for meeting its repayment obligations and equity commitments and shortfalls. SIPL shall also derive financial flexibility from the listed InvIT units of IndInfravit of Rs.724 crore.

Analytical approach: Guarantors' Assessment, SEL

CARE has analyzed SIPL's credit profile by considering credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by SEL for NCDs of SIPL.
CARE has taken a combined view of SEL (standalone) and SIPL (standalone) for analytical purpose. This is because majority of the long-term debt raised in SIPL is backed by unconditional and irrevocable corporate guarantee of SEL. Further, SEL and SIPL have operational and financial linkages for funding investment in new projects, bridging of shortfall in select SPVs as well as up-streaming of cash flow of SPVs.

Applicable Criteria
[Criteria on assigning 'Outlook' and 'Credit watch' to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria of Rating Credit Enhanced Debt]
[Rating Methodology – Consolidation and Factoring Linkages in Ratings]
[Rating Methodology - Infrastructure Sector Ratings]
[Financial Ratios – Non-Financial Sector]

About the Company - SIPL
SEL had floated a 100% subsidiary, SIPL, in January 2007, as a holding company for its BOT projects. During FY11, SEL diluted 22.22% of its stake through issue of fresh equity of Rs.300 crore and compulsory convertible cumulative preference shares (CCCPS) of Rs.100 crore to private equity (PE) investors. Proceeds of PE were utilized by SIPL for fulfilling its equity commitment in BOT projects. During September 2015, SIPL raised Rs.425 crore through Initial Public Offer (IPO) of its equity shares.
On July 1, 2019, SIPL has announced that they have executed Share Purchase Agreements with IndInfravit Trust (IndInfravit) for selling their entire equity stake in their nine operational BOT SPVs (seven toll and two annuity based projects). The transaction has been executed considering enterprise value of Rs.6,610 crore. Total sale consideration for the transaction is Rs.2,550 crore, out of which partial consideration would be received by SIPL in the form of units equivalent to 10% stake in IndInfravit having estimated value of Rs.650 crore and the balance amount of Rs.1,900 crore in cash. Further, as per stock exchange announcement dated October 19, 2019, SIPL would be merged with SEL with effect from April 1, 2019 subject to various statutory and regulatory approvals including approval of National Company Law Tribunal (NCLT). In consideration of the merger, SEL shall issue one equity share of SEL against three equity shares of SIPL to every shareholder of SIPL.

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

(Rs. Crore)

Brief Financials – SIPL (Standalone)	FY18 (A)	FY19 (A)
Total Operating Income	384	356
PBILDT	268	271
PAT	68	57
Overall Gearing	0.95	1.08
Interest Coverage (times)	1.64	1.55

A: Audited

About the Guarantor - SEL
Incorporated in 1988, SEL has evolved as one of the prominent developers and EPC contractors in India. SEL had floated a wholly-owned subsidiary – SIPL as a holding company of BOT projects in 2007. Sadbhav Group has a portfolio of 25 BOT projects (eleven operational, one partly operational and thirteen under construction HAM projects). SEL operates majorly across four distinct business areas in the infrastructure sector viz. EPC of its own BOT road projects, cash contract-based road and metro rail EPC projects, irrigation and mining. During FY19, these segments contributed 23%, 69%, 4% and 4%, respectively, in SEL's contract receipts booked on a standalone basis.

(Rs. Crore)

Brief Financials – SEL (Standalone)	FY18 (A)	FY19 (A)
Total operating income (TOI)	3,534	3,650
PBILDT	445	528
PAT	221	187
Overall gearing (times)	0.80	0.73
Interest coverage (times)	2.33	3.02

A: Audited;

(Rs. Crore)

Brief Financials – Sadbhav Group#	FY18	FY19
TOI	3,862	3,945
PBILDT	657	739
PAT	288	243
Overall gearing (times)	0.83	0.83
Interest coverage (times)	2.20	2.55

 # combining SEL (standalone) and Sadbhav Infrastructure Project Limited (SIPL; standalone) financials

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

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures-II	INE764L07082	January 09, 2015	11.75%	April 13, 2020	19.95	CARE A- (CE); Stable
Debentures-Non Convertible Debentures-III	INE764L07116, INE764L07124, INE764L07132, INE764L07140, INE764L07157, INE764L07165	September 21, 2016	10.30%	April 26, 2022	189.30	CARE A- (CE); Stable
Debentures-Non Convertible Debentures-IV	INE764L07173	April 23, 2018	10.20%	April 23, 2023	102.00	CARE A- (CE); Stable
Debentures-Non Convertible Debentures-V	INE764L07181	June 06, 2018	10.20%	June 06, 2023	127.40	CARE A- (CE); 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.	Bonds	LT	-	-	-	1)Withdrawn (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)	1)CARE A+ (SO) (14-Oct-16)
2.	Debentures-Non Convertible Debentures- I	LT	-	-	1)Withdrawn (07-Jan-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 3)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Feb-19) 2)CARE A+ (SO); Stable (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)	1)CARE A+ (SO) (14-Oct-16)
3.	Debentures-Non Convertible Debentures- II	LT	19.95	CARE A- (CE); Stable	1)CARE A (CE) (Under Credit watch with Developing Implications) (07-Jan-20) 1)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 2)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Feb-19) 2)CARE A+ (SO); Stable (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)	1)CARE A+ (SO) (14-Oct-16)
4.	Debentures-Non Convertible Debentures - III	LT	189.30	CARE A- (CE); Stable	1)CARE A (CE) (Under Credit watch with Developing Implications) (07-Jan-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 3)CARE A (CE) (Under Credit watch with Developing Implications)	1)CARE A (SO); Stable (20-Feb-19) 2)CARE A+ (SO); Stable (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)	1)CARE A+ (SO) (14-Oct-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 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
					(10-Jul-19)			
5.	Fund-based/Non-fund-based-LT/ST	LT/ST	400.00	CARE A-; Stable / CARE A2+	1)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (07-Jan-20) 2)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (30-Oct-19) 3)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (30-Oct-19) 4)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (10-Jul-19) 5)CARE A-; Stable / CARE A2+ (04-Apr-19)	-	1)CARE A-; Stable / CARE A2+ (28-Nov-17)	-
6.	Debentures-Non Convertible Debentures- IV	LT	102.00	CARE A- (CE); Stable	1) CARE A (CE) (Under Credit watch with Developing Implications) (07-Jan-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 3)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Mar-19) 2)CARE A+ (SO); Stable (18-Sep-18) 3)Provisional CARE A+ (SO); Stable (16-Apr-18)	-	-
7.	Debentures-Non Convertible	LT	127.40	CARE A-(CE); Stable	1) CARE A (CE) (Under Credit	1)CARE A (SO); Stable	-	-

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
	Debentures- V				watch with Developing Implications) (07-Jan-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 3)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	(20-Mar-19) 2)CARE A+ (SO); Stable (18-Sep-18) 3)Provisional CARE A+ (SO); Stable (16-Apr-18)		

Annexure-3: Detailed explanation of covenants of the rated instruments

Name of the Instrument – Non Convertible Debentures	Detailed explanation
A. Financial covenants	
1. SIPL's Total Debt/ Equity not exceeding 0.8 times	All financial covenants are met.
2. SIPL's Total Debt not to exceed Rs.1,000 crore	
3.SEL's Total Debt/Equity not to exceed 1.25 times	
4. No loss on PAT basis in SEL on an annual basis	
5. SEL's Total Debt / EBITDA not to exceed 3.5 times	
B. Non-financial covenants	
1.Unconditional and irrevocable corporate guarantee from SEL	SEL has provided unconditional and irrevocable corporate guarantee for NCDs of SIPL.
2.Early redemption in case of downgrade of existing rating by two or more notches by any rating agency (i.e., to BBB+)	
3. Option of step-up of coupon rate in case of downgrade of external credit rating to A- for balance period	
4. SIPL/SEL's networth to remain positive during tenor of issue	
5. Prior approval of investor for any transaction of merger, de-merger, consolidation, re-organization or scheme of arrangement, etc.	
6. Not to undertake any new business if equity commitment for single project is more than Rs.500 crore	
7. Prescribed cash flow to be followed in case of stake sale in step-down subsidiaries	

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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