Simplex Infrastructures Limited

December 11, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Facilities			
Long-term Bank Facilities	2,600.00	**CARE D (Single D)**	**Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative)**
Long/Short-term Bank Facilities	7,900.00	**CARE D/CARE D (Single D/Single D)**	**Revised from CARE BB+; Negative /CARE A4+ (Double B Plus; Outlook: Negative/A Four Plus)**
Total Facilities	**10,500.00 (Rupees Ten Thousand Five Hundred crore only)**		
Instruments			
Non-Convertible Debentures	495.00 (Rupees Four Hundred and Ninety five crore only)	**CARE D (Single D)**	**Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative)**

Details of facilities/Instruments in Annexure I

Detailed Rationale and Key Rating Drivers

The revision in the ratings of Simplex Infrastructures Limited (Simplex) takes into account recent instance of delay by the company in repayment of non-convertible debenture after put option was exercised by one of the investors as well as overdrawals reported by few bankers.

The liquidity profile of the company continues to be under stress on account of continued elongation in already high collection period and high working capital cycle.

Detailed description of Key Rating Drivers

Key Rating Weaknesses

Delay in servicing of debt obligations

Principal repayments of certain Non-convertible debenture (NCD) of Simplex were due on December 6, 2019 on account of put option exercised by the investor. The Debenture Trustee for these NCDs has informed CARE (via its email dated December 9, 2019) that Simplex has failed to make the payment for the put option exercised. Further, overdrawals in working capital limits have been reported by few banks. This constitutes an event of default as per CARE's default recognition policy.

Liquidity: Poor

The company earned a GCA of Rs.341 crore vis-à-vis debt repayment of Rs. 122.44 crore in FY19. Debt repayment obligation in FY20 stands at Rs. 178.46 crore (out of which ~Rs.66 crore already repaid till Sept 30, 2019 including put option of Rs.30 crore exercised). Majority of cash accruals are stuck in receivables. Further with additional put option of Rs.10 crore being exercised by one of the NCD investor and continued elongation in receivables have posed pressure on liquidity as indicated by company's inability to meet the debt obligation exercised under put option as well as overdrawals in working capital limits with few banks. Going ahead, realising the stuck receivables and asset monetisation (~Rs.300 crore by March 2020) remains crucial. Further infusion of funds through induction of a strategic partner remains crucial from liquidity perspective.

Industry prospect

The construction sector continue to witness cyclical trends due to inherent nature of the industry, though the long-term outlook for construction sector is stable. The construction industry contributes around 8% to India's Gross domestic product (GDP). The sector was marred by varied challenges during the last few years on account of economic slowdown, regulatory changes and policy paralysis which had adversely impacted the financial and liquidity profile of players in the industry. Government of India has undertaken several steps for boosting the infrastructure development and reviving the investment cycle. The same has gradually resulted in increased order inflow and movement of passive orders in existing order book. The focus of the government on infrastructure development is

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

expected to translate into business potential for the construction industry in the long-run. Going forward, companies with better financial flexibility would be able to grow at a faster rate by leveraging potential opportunities.

Analytical Approach: Standalone

Applicable Criteria
Criteria on assigning Outlook and Credit watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the company
Simplex, incorporated in 1924, is one of the leading construction companies of the country, belonging to Mundhra family of Kolkata. The company is primarily engaged in EPC contracts, turnkey projects related to civil construction across various sectors. Over the decades, Simplex has completed large number of prestigious contracts and has received commendation certificates from many of its clients. The company also has overseas presence in countries like Bangladesh, Bahrain, UAE, Oman, Qatar, Saudi Arabia, Srilanka and Ethiopia.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	H1FY20 (U/A)
Total operating income	5895	6141	2484
PBILDT	779	812	330
PAT	117	123	28
Overall gearing (times)*	3.15	2.28	2.17
Interest coverage (times)	1.73	1.72	1.35

** Including mobilisation advances*

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	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	2600	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	7900	CARE D / CARE D
Debentures- Non Convertible Debentures	INE059B07013	29-Jun-12	11%	29-Jun-20	13.5	CARE D
Debentures- Non Convertible Debentures	INE059B07013	29-Jun-12	11%	29-Jun-21	13.5	CARE D
Debentures- Non Convertible Debentures	INE059B07013	29-Jun-12	11%	29-Jun-22	18.0	CARE D
Debentures- Non Convertible Debentures	INE059B07021	06-Dec-12	10.75%	06-Dec-22	25	CARE D
Debentures- Non Convertible Debentures	INE059B07039	31-Dec-12	10.75%	31-Dec-22	50	CARE D
Debentures- Non Convertible Debentures	INE059B07047	12-Feb-13	12.25%	12-Feb-23	50	CARE D
Debentures- Non Convertible Debentures	INE059B07054	26-Dec-13	12.25%	26-Dec-20	40	CARE D
Debentures- Non	INE059B07062	11-Mar-14	12.25%	11-Mar-21	30	CARE D

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Convertible Debentures						
Debentures- Non Convertible Debentures	INE059B07070	18-Mar-14	12.25%	18-Mar-21	25	CARE D
Debentures- Non Convertible Debentures	INE059B07088	28-Mar-14	12.25%	28-Mar-21	5	CARE D
Debentures- Non Convertible Debentures	INE059B07096	09-Jul-14	11.15%	09-Jul-21	75	CARE D
Debentures- Non Convertible Debentures	INE059B07104	28-Jul-14	11.15%	28-Jul-21	25	CARE D
Debentures- Non Convertible Debentures	INE059B07120	22-Jan-15	13.15%	22-Jan-20	50	CARE D
Debentures- Non Convertible Debentures	INE059B07138	17-Jun-15	12.45%	17-Jun-20	50	CARE D
Debentures- Non Convertible Debentures	INE059B07146	24-Jul-15	12.45%	17-Jun-20	25	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 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.	Debentures-Non Convertible Debentures	LT	170.00	CARE D	1)CARE BB+; Negative (25-Nov-19) 2)CARE BBB; Negative (14-Aug-19) 3)CARE A-; Negative (10-Jun-19)	1)CARE A-; Stable (28-Sep-18)	1)CARE A; Stable (05-Oct-17)	1)CARE A (01-Sep-16)
2.	Fund-based - LT-Cash Credit	LT	2600.00	CARE D	1)CARE BB+; Negative (25-Nov-19) 2)CARE BBB; Negative (14-Aug-19) 3)CARE A-; Negative (10-Jun-19)	1)CARE A-; Stable (28-Sep-18)	1)CARE A; Stable (05-Oct-17)	1)CARE A (01-Sep-16)
3.	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1)Withdrawn (14-Aug-19)	1)CARE A2+ (28-Sep-18)	1)CARE A1 (05-Oct-17)	1)CARE A1 (12-Dec-16) 2)CARE A1 (01-Sep-16)
4.	Short Term Instruments-CP/STD	ST	-	-	-	-	1)Withdrawn (05-Oct-17)	1)CARE A1 (01-Sep-16)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	7900.00	CARE D / CARE D	1)CARE BB+; Negative / CARE A4+	1)CARE A-; Stable / CARE A2+	1)CARE A; Stable / CARE A1 (05-Oct-17)	1)CARE A / CARE A1 (01-Sep-16)

					(25-Nov-19) 2)CARE BBB; Negative / CARE A3+ (14-Aug-19) 3)CARE A-; Negative / CARE A2+ (10-Jun-19)	(28-Sep-18)		
6.	Debentures-Non Convertible Debentures	LT	200.00	CARE D	1)CARE BB+; Negative (25-Nov-19) 2)CARE BBB; Negative (14-Aug-19) 3)CARE A-; Negative (10-Jun-19)	1)CARE A-; Stable (28-Sep-18)	1)CARE A; Stable (05-Oct-17)	1)CARE A (01-Sep-16)
7.	Debentures-Non Convertible Debentures	LT	75.00	CARE D	1)CARE BB+; Negative (25-Nov-19) 2)CARE BBB; Negative (14-Aug-19) 3)CARE A-; Negative (10-Jun-19)	1)CARE A-; Stable (28-Sep-18)	1)CARE A; Stable (05-Oct-17)	1)CARE A (01-Sep-16)
8.	Debentures-Non Convertible Debentures	LT	50.00	CARE D	1)CARE BB+; Negative (25-Nov-19) 2)CARE BBB; Negative (14-Aug-19) 3)CARE A-; Negative (10-Jun-19)	1)CARE A-; Stable (28-Sep-18)	1)CARE A; Stable (05-Oct-17)	1)CARE A (01-Sep-16)
9.	Term Loan-Long Term	LT	-	-	1)Withdrawn (14-Aug-19) 2)CARE A-; Negative (10-Jun-19)	1)CARE A-; Stable (28-Sep-18)	1)CARE A; Stable (05-Oct-17)	1)CARE A (01-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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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