

Srei Infrastructure Finance Limited

November 09, 2020

Credit update

Srei Infrastructure Finance Ltd (SIFL) had given effect to the slump exchange for the transfer of its Lending Business, Interest Earning Business & Lease Business ("Transferred Undertaking") to its wholly owned subsidiary Srei Equipment Finance Limited (SEFL) in its accounts for the quarter ended December 31, 2019 with appointed date of October 1, 2019. However, the statutory auditor of SIFL had given a modified limited review report for the quarter ended December 31, 2019 as SIFL had given impact to the slump exchange with effect from October 1 2019, though the consent from all lenders of SIFL had not been obtained.

The ratings assigned to SIFL are on watch with developing implications due to the uncertainty regarding the transfer of assets/liabilities in view of the consent from lenders not being obtained. With the announcement of nationwide lockdown due to outbreak of Covid-19 since March 25, 2020, the consolidated operations of the company have been impacted with respect to disbursements and collections. The rating watch also factored in the uncertainty with respect to cash flows being available to SIFL and credit costs due to the impact on the income of customers.

The statutory auditor of SIFL in the audit report for the quarter ended March 31, 2020 had given emphasis of matter that the company has accounted for the slump exchange w.e.f October 1, 2019 after receiving approval from shareholders, debenture trustees, few lenders, stock exchanges and in-principle approval from some of the domestic lenders including lead banks. The consent or otherwise of other lenders is still awaited. SIFL has taken expert legal and accounting opinions which confirm that the accounting treatment so given is in accordance with relevant IND AS and underlying guidance and framework.

However, SEFL has approached NCLT, Kolkata with a Scheme of Arrangement to obtain formal consent from required majority of lenders (for transferred cash credit, working capital demand loan and term loans referred to as Part III creditors) to the completed acquisition by way of slump exchange. Further, in the Scheme, it is mentioned that pursuant to the circulars issued by The Reserve Bank of India (RBI) in August 2020 (in relation to one-time restructuring), majority of the borrowers of SEFL have sought or are expected to seek one-time restructuring of their loans, which has resulted in and will result in severe cash flow shortage. SEFL only has the option of restructuring as per RBI guidelines in its assets and not in its liabilities. The resultant asset liability mismatch has forced SEFL to enter into certain arrangement with the secured creditors (viz. cash credit, term loans and working capital demand loan, referred to as Part IV creditors) for conversion of not less than 75% of the total debts due to the secured creditors as on August 31, 2020 into secured NCDs of such number and value as the Secured creditors in their meetings may decide.

The NCLT order states that *"In exercise of powers conferred Under Section 230 of the Companies Act, 2013 read with Rule 11 of the National Company Law Tribunal Rules, 2016 and until the Scheme is considered by the said Part III and Part IV Creditors and this Tribunal and to protect the interest of stakeholders, we direct that in the meantime, the Part III and Part IV Creditors of the Applicant Company shall maintain status quo till further orders with respect to their respective contractual terms dues claims and rights and are estopped from taking any coercive steps including reporting in any form and/or changing the account status of the Applicant Company and its holding Company (Srei Infrastructure Finance Limited) from being a standard asset, which will prejudicially affect the implementation of the Scheme and render the said Scheme ineffective".*

As per the NCLT order, the meeting of creditors as defined in Part III of the Scheme (Part III Creditors) of SEFL will be held on Wednesday, 16th December, 2020 for the purpose of their consideration, and if thought fit, approving, with or without modification, the said Scheme of Arrangement. The meeting of creditors as defined in Part IV of the Scheme (Part IV Creditors) of SEFL will be held on Wednesday, 23rd December, 2020 for the purpose of their consideration, and if thought fit, approving, with or without modification, the said Scheme of Arrangement.

Accordingly, the ratings of SIFL continue to remain under credit watch with developing implications pending outcome of the above proposed meetings of creditors for considering the Scheme of Arrangement amidst stressed liquidity position. CARE would continue to monitor the developments in this regard and will take a view on the ratings on the outcome of the above proposed meetings of creditors and analyse the impact of the same on the credit profile of SIFL.

About the Company

SIFL, a three decade old Kolkata-based NBFC, has been engaged in leasing and hire-purchase/hypothecation financing of heavy construction equipment and financing of infrastructure related projects. Pursuant to forming a 50:50 joint venture (JV) with BNP Paribas Lease Group (BPLG), SIFL divested a major part of its equipment financing and leasing business to SEFL. Post divestment, SIFL is engaged in project financing and infrastructure project advisory. SIFL is classified as 'NBFC-IFC' by RBI and it has also received 'Public Finance Institution' status from the Ministry of Corporate Affairs, GoI.

In June 2016, SIFL acquired the 50% stake of BPLG in SEFL, resulting in SEFL becoming a 100% subsidiary of SIFL and BPLG acquiring 5% stake of SIFL against its shareholding in SEFL.

Consolidated Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total income	6,517	5,974
PAT	487	89
Interest coverage (times)	1.59	1.46
Total Assets	40,001	37,749
Net NPA (%)	10.56	7.19
ROTA (%)	1.08	0.20

A: Audited

Annexure-1: 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.	Fixed Deposit	-	-	-	-	-	-	-
2.	Bonds-Unsecured Redeemable	LT	-	-	-	-	-	1)Withdrawn (03-May-17)
3.	Non-fund-based - ST-BG/LC	ST	345.00	CARE A2 (Under Credit watch with Developing Implications)	1)CARE A2 (Under Credit watch with Developing Implications) (07-May-20)	1)CARE A2 (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A2+ (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A1+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A1+ (06-Jul-18)	1)CARE A1+ (05-Jan-18) 2)CARE A1+ (12-Jul-17) 3)CARE A1+ (03-May-17)
4.	Fund-based - LT-Cash Credit	LT	8685.00	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (05-Jan-18) 2)CARE A+; Stable (12-Jul-17) 3)CARE A+; Stable (03-May-17)
5.	Debt-Non-convertible Debenture/Subordinate Debt	LT	-	-	1)Withdrawn (30-Apr-20)	1)CARE BBB (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE BBB+ (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A; Stable (06-Jul-18)	1)CARE A; Stable (12-Jul-17) 2)CARE A; Stable (03-May-17)

6.	Debt-Non-convertible Debenture/Subordinate Debt	LT	50.00	CARE BBB (Under Credit watch with Developing Implications)	1)CARE BBB (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE BBB+ (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A; Stable (06-Jul-18)	1)CARE A; Stable (12-Jul-17) 2)CARE A; Stable (03-May-17)
7.	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1)Withdrawn (30-Apr-20)	1)CARE A2 (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A2+ (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A1+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A1+ (26-Oct-18) 3)CARE A1+ (06-Jul-18)	1)CARE A1+ (12-Jul-17) 2)CARE A1+ (03-May-17)
8.	Debentures-Non Convertible Debentures	LT	40.40	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
9.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
10.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (03-May-17)
11.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (03-May-17)
12.	Debt-Subordinate Debt	LT	239.15	CARE BBB (Under Credit	1)CARE BBB (Under Credit	1)CARE BBB (Under Credit	1)CARE A (Under Credit	1)CARE A; Stable

				watch with Developing Implications)	watch with Developing Implications) (07-May-20)	watch with Developing Implications) (27-Feb-20) 2)CARE BBB+ (Under Credit watch with Negative Implications) (13-Aug-19)	watch with Developing Implications) (29-Jan-19) 2)CARE A; Stable (06-Jul-18)	(12-Jul-17) 2)CARE A; Stable (03-May-17)
13.	Debt-Non-convertible Debenture/Subordinate Debt	LT	223.37	CARE BBB (Under Credit watch with Developing Implications)	1)CARE BBB (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE BBB+ (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A; Stable (06-Jul-18)	1)CARE A; Stable (12-Jul-17) 2)CARE A; Stable (03-May-17)
14.	Bonds	LT	20.22	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
15.	Debentures-Non Convertible Debentures	LT	6.50	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
16.	Term Loan-Long Term	LT	2087.71	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable	1)CARE A+; Stable (05-Jan-18) 2)CARE A+; Stable (12-Jul-17) 3)CARE A+; Stable

						watch with Negative Implications) (13-Aug-19)	(06-Jul-18)	(03-May-17)
17.	Debt-Non-convertible Debenture/Subordinate Debt	LT	148.59	CARE BBB (Under Credit watch with Developing Implications)	1)CARE BBB (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE BBB+ (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A; Stable (06-Jul-18)	1)CARE A; Stable (12-Jul-17) 2)CARE A; Stable (03-May-17)
18.	Debentures-Non Convertible Debentures	LT	49.00	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
19.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
20.	Bonds-Secured Redeemable Bonds	-	-	-	-	-	-	-
21.	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
22.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE A+ (Under Credit watch with Developing Implications)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable

						(27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	(29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	(03-May-17)
23.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
24.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (30-Apr-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
25.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
26.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (03-May-17)
27.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
28.	Debentures-Non	LT	-	-	1)Withdrawn	1)CARE BBB+	1)CARE A+	1)CARE A+;

	Convertible Debentures				(30-Apr-20)	(Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	(Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
29.	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-17)
30.	Debentures-Non Convertible Debentures	LT	88.34	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+ (Under Credit watch with Developing Implications) (07-May-20)	1)CARE BBB+ (Under Credit watch with Developing Implications) (27-Feb-20) 2)CARE A- (Under Credit watch with Negative Implications) (13-Aug-19)	1)CARE A+ (Under Credit watch with Developing Implications) (29-Jan-19) 2)CARE A+; Stable (06-Jul-18)	1)CARE A+; Stable (12-Jul-17) 2)CARE A+; Stable (03-May-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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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