

## Press Release

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### Brickwork Ratings assigns “BWR AA-(SO)” for Era Housing & Developers (India) Ltd’s structured secured redeemable Non-Convertible Debentures Issue of ₹ 100 crore with maturity of upto 36 months

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**NCD Issue Rating: BWR AA– (SO)**

**Outlook : Stable**

Brickwork Ratings has assigned **BWR AA-(SO) (Pronounced BWR Double A minus Structured Obligation)** for Era Housing & Developers (India) Ltd’s (EHDL) proposed Secured Redeemable Non Convertible Debentures (NCD) Issue of ₹ 100 Cr having a tenor of 36 months. The NCDs will also have PUT and CALL options. Brickwork Ratings’ ‘BWR AA- (SO)’ stands for an instrument that is considered to offer **High** credit quality / safety in terms of timely servicing of principal and interest obligations.

The rating has, inter alia, factored EIEL’s infrastructure development experience and execution capability, strong order book which is tilted towards blue chip public sector clients; the pledge of unencumbered, fully paid up shares of Era Infra Engineering Limited (EIEL) as security and the structured mechanism to meet the obligations under NCD issue. The rating is however constrained by cost run and time run risks associated with infrastructure projects and the Company’s weak working capital cycle.

BWR has essentially relied upon the audited financial results of EHDL and EIEL, projected financials and information and clarification provided by the issuer and its promoters, Term sheet outlining the structure of the deal, the legal Opinion, and collateral value analysis.

EHDL, incorporated in Sept. 1995 by Mr H.S. Bharana for Civil Construction and Investment Purpose, is a promoter group company of Era Infra Engineering Limited (EIEL). Investment in various market instruments is the activity of EHDL. EHDL is 100% owned by promoters & their companies. Another promoter company Hi point Investment holds 33.22% stake in EHDL and EHDL holds 23.76% stake in EIEL of which 15.39% stake is already pledged.

EHDL is planning to raise an amount up to ₹100 crores by issue of structured secured Non-Convertible Debentures against pledge of their unencumbered fully paid shares of EIEL. The amount raised through the NCD issue is proposed to be used for the Company’s general

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corporate purposes. The NCD will be secured by pledge of fully paid up freely transferrable equity shares of Era Infra Engineering Limited, having market value 2 times the issue size of the NCDs. Collateral Shares shall be valued at the current market price less a haircut of 10%. If the Collateral Cover falls below 1.8x, borrower/guarantor will within 2 day of such shortfall, pledge additional shares of Era Infra and/or prepay part of the Facility amount to increase the Collateral Cover at least to 2x of the outstanding Facility amount. No prepayment fee will be payable on such prepayments. If the price of the pledged share of Era Infra falls more than 30% from the Inception Price or if the pledged shares constitutes or exceeds 50% of the outstanding paid up equity capital of the Era Infra then the top up will only by cash or prepayment of the Facility amount.

In the event the Value of collateral increases to 2.5 times the outstanding obligations and such situation continues for 10 consecutive days, the Debenture Trustee may at the request of the issuer and pledgor, release part of the pledge in such a way that after such release the collateral value is not less than 2.25 time the outstanding Obligations of the Issuer. The Debenture holders shall be entitled to require the Issuer or the Issuer shall have the right to exercise call /put option at the end of 12 months and thereafter every six months till the maturity date.

### **Rating Outlook**

We believe the Era Infra stock performance and effective monitoring of structure and share price by debenture trustees is crucial. The enforcement of security on behalf of debenture holders within 2 business days of happening of an event of default is a function of effectiveness of debenture trustee. Should there be any necessity of having to resort to enforcing the security, looking at past one year average volume traded of Era Infra, it may take about 45 days to sell the pledged shares in the market.

We believe increasing demand for infrastructure and EIEL's expertise and presence in various states in different segments is expected to help in bagging more orders for execution, and thereby further enhances Company's growth. Keeping in view the performance and reputation of the issuer and its promoter group, it is expected they would not spare any efforts to fully meet their obligations under the proposed NCD Issue.

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