

RATING RATIONALE

25 Oct 2023

SHRISTI INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

Brickwork Ratings reaffirms the ratings of the secured NCDs of Rs. 145.00 Crs and Bank Loan Facilities of Rs. 93.18 Crs. of Shristi Infrastructure Development Corporation Limited (SIDCL or the Company) and simultaneously removes both the ratings from ISSUER NOT COOPERATING* category.

Particulars

| Facilities/ Instruments** | Amount (Rs. Crs.) | | Tenure | Rating^ | |
|------------------------------|-------------------|---------------|---|---|--|
| | Previous | Present | | Previous (17 Aug 2023) | Present |
| Fund Based | | | | | |
| Secured NCDs | 145.00 | 145.00 | Long Term | BWR C ISSUER NOT COOPERATING* /Reaffirmation | BWR C, removal from ISSUER NOT COOPERATING* Category, Reaffirmation |
| Cash Credit | 40.00 | 40.00 | | BWR D ISSUER NOT COOPERATING* /Reaffirmation | BWR D, removal from ISSUER NOT COOPERATING* Category, Reaffirmation |
| Term Loan | 109.23 | 33.18 | | | |
| Non Fund Based | | | | | |
| ILC / FLC | 20.00 | 20.00 | Short Term | BWR D ISSUER NOT COOPERATING* /Reaffirmation | BWR D, removal from ISSUER NOT COOPERATING* Category, Reaffirmation |
| Total | 314.23 | 238.18 | Rupees Two Hundred and Thirty Eight Crores and Eighteen Lakhs Only | | |

^Please refer to Brickwork Ratings website <https://www.brickworkratings.com> for the definition of the ratings

* Issuer did not cooperate; based on best available information

** Details of Instruments and Bank loan facilities are provided in Annexures-I & II

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the ratings of the secured NCDs of Rs. 145.00 Crs of the Company at BWR C, and its Bank Loan Facilities of Rs. 93.18 Crs. at BWR D and has simultaneously removed both the ratings from ISSUER NOT COOPERATING* category.



BWR has principally relied upon the standalone audited financial results of SIDCL up to FY23, Q1FY24 Unaudited results, projected financials of FY24 & FY25, publicly available information and information/clarification provided by the Company's management as well as its bankers and auditors, to arrive at the present ratings.

The reaffirmation of the Bank loans of the Company at BWR D is in account of the continuation of the NPA status of its bank loans, as confirmed by its bankers. The rating for the secured NCDs is reaffirmed at BWR C, taking into consideration the fact that, as confirmed by the Debenture Trustees, the NCD obligations have been duly honoured till now despite the cross default in bank loans - the latest due coupon payment having been made on time in November, 2022. The rating also factors in the sharp dip in the performance of the Company for the last couple of years, together with the huge contingent liabilities and the legal risks being faced by the Company. SIDCL's established track record in the infrastructure development and construction industry, experienced management team and repayments of NCD coupons on time despite poor liquidity, and the fact that it is a part of the Kanoria group, have also been noted by BWR.

The migration to the ISSUER NOT COOPERATING category in August 2023 was due to the fact that the surveillance mandate had not been provided despite requests. As the company has cooperated and has since provided the surveillance mandate to carry out a rating review, both the NCD and BLR ratings **have now been removed from the ISSUER NOT COOPERATING category**. Moreover, the submission of NDS by the Company is up to date.

Liquidity - Poor (based on FY23 audited financials): The company's liquidity continues to remain poor as the company's annual finance cost continues to remain much higher than the annual EBITDA, and net cash accruals, which have remained negative over past three fiscals, were inadequate to service the term loan repayment obligations. As a result, the company has defaulted in its debt service obligations in FY23 and its accounts are NPA with some lenders as on date. However, its NCD obligations have been honoured on time.

Rating Sensitivities-

- **Positive:** Upgradation of the asset classification of the accounts by the banks, which should be sustained, as well as improvement in the liquidity position of the company, together with demonstrated ability of the Company to improve its profit margins and scale of operations may lead to positive rating action.
- **Negative:** Further deterioration in the liquidity position of the company resulting in inability to meet NCD coupon payments on the due date may trigger a negative rating action for the NCD rating

Key Rating Drivers-

Credit Weaknesses:-

Default on Debt obligations-

The company has made disclosure in its FY23 Notes to Audited Financials that it has defaulted in payment of principal and interest on term loan amounting to Rs. 47.08 Crs. to lenders till 31 Mar 2023. Further, working capital lenders have classified the accounts amounting to Rs. 41.46 Crs. as NPA, on which the interest overdue is Rs. 2.71 Crs. as on 31 Mar 2023.

Arbitrage Claim: SIDCL is in a dispute with Mauritius-based Rishima SA Investments LLC, an investor with a 35% stake in the hotel project undertaken by one of the Group Companies of SIDCL in WB. The arbitrage claim is of Rs.761 Crs by Mauritius based-Rishima SA Investment, however, the arbitration tribunal has issued a partial award of Rs.160 crs in favour of the claimant. SIDCL has contested this award and the matter is under judicial consideration. As per the management, the matter is likely to take a long time to get resolved. However, there is an uncertainty with respect to the probable liability arising out of the outcome, which may have a material impact on the Company's cash flows.

Weak Financial profile :

The TNW of the company was completely eroded on 31 Mar 2023. Due to further net loss and lack of any equity infusion in Q1FY24, the situation remains the same as on 30 June 2023 and the statutory auditor has expressed concern in its Limited Review Report of Q1FY24 regarding Going Concern status of the com

Poor Liquidity Position-

The company's liquidity continues to remain poor as the company's annual finance cost continues to remain much higher than the annual EBITDA, and net cash accruals, which have remained negative over past three fiscals, were inadequate to service the term loan repayment obligations

Credit Strengths:-

Repayments of NCD coupons on time despite poor liquidity

The company has managed to repay its debt obligations of NCD coupon payments on time despite EBITDA losses in FY23. Going forward, the positive EBITDA expected to be generated in FY24 with increase in revenue is expected to help in continuing to meet the NCD repayment obligations in a timely manner.

Experienced management and established track record:

Mr. Sunil Jha is the Managing Director and has been associated with the Company since last 14 years and has over 27 years of multi-dimensional experience in finance, operations and team development. The directors are also assisted by professionals specialised in production, marketing and finance. The company has completed a good number of real estate projects, and has an established track record.

Key Covenants of the facilities rated-

A.NCDs

Date of Issue - 30 Nov 2016

Tenure - 10 years

Date of Maturity-30 Nov 2026

Repayment of principal- Principal to be repaid as a bullet payment at maturity on 30 Nov 2026.

Coupon payment - 10%, payable annually in November

Investor- RBL Bank

Debenture Trustee- Axis Trustee Services Ltd-

For NCD, The following are key covenants stipulated by the Debenture Trustees-

- TOL/TNW not exceeding 7.5 times on an Annual Basis
- Unsold Inventory + Debtors on sold units/ Total Debt not exceeding 1.33 times on a Half Yearly Basis.
- FACR to be maintained at least 1.5 times on an Annual Basis
- Issuer to maintain a minimum Credit Rating of BBB- at all times during the Tenure of the NCD
- Net Worth to remain positive on an Annual basis during the Tenure of the NCD.

B.Bank Loans

Usual criteria for such loans

Analytical Approach - Standalone

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

ABOUT THE ENTITY

Shristi Infrastructure Development Corporation Ltd (SIDCL), incorporated in 1990, is a Kolkata based Kanoria Foundation entity. SIDCL started commercial operations in 1999. SIDCL is an ISO 9001:2000 certified civil and infrastructural development company. It is engaged in the construction & development of townships, roads, highways, hydro-electric power projects and other external services. SIDCL has joint ventures with various State & Central Government organisations for the development of various housing as well as infrastructure projects based on the Public Private Partnership model. Further, it has set up Joint Ventures with some companies to work on construction projects. The company's NCDs are listed on BSE in debt segment and equity shares on BSE and The Calcutta Stock Exchange Limited.

KEY FINANCIAL INDICATORS (Standalone)

| Key Parameters | Units | FY22 | FY23 | Q1FY24 |
|--------------------|----------|---------|----------|-----------|
| Result Type | | Audited | Audited | Unaudited |
| Operating Revenue | Rs. Crs. | 36.66 | 52.06 | 16.25 |
| EBITDA | Rs. Crs. | 8.38 | (4.12) | (2.33) |
| PAT | Rs. Crs. | (54.95) | (78.42) | (11.06) |
| Tangible Net Worth | Rs. Crs. | 52.39 | (28.40) | NA |
| Total Debt / TNW | Times | 10.42 | Negative | NA |
| Current Ratio | Times | 1.82 | 1.29 | NA |

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]:

| Sl. No. | Instrument | Current Rating (October 2023) | | | Rating History | | | | | |
|--------------|----------------|-------------------------------|-------------------------|---|----------------|--|-------------|--------|-------------|------------|
| | | Type | Amount Rated (Rs. Crs.) | Rating | 2023 | | 2022 | | 2021 | |
| | | | | | Date | Rating | Date | Rating | Date | Rating |
| 1 | NCDs | Long Term | 145.00 | BWR C, removal from ISSUER NOT COOPERATING* Category, Reaffirmation | 17 Aug 2023 | BWR C ISSUER NOT COOPERATING*/ Reaffirmation | 13 Jul 2022 | BWR C | 20 Apr 2021 | BWR C |
| | | | | | | | | | 25 Nov 2021 | BWR C INC* |
| 2 | Fund Based | Long Term | 73.18 | BWR D, removal from ISSUER NOT COOPERATING* Category, Reaffirmation | 17 Aug 2023 | BWR D ISSUER NOT COOPERATING*/ Reaffirmation | 13 Jul 2022 | BWR D | 20 Apr 2021 | BWR D |
| | | | | | | | | | 25 Nov 2021 | BWR D INC* |
| 3 | Non Fund Based | Short Term | 20.00 | BWR D, removal from ISSUER NOT COOPERATING* Category, Reaffirmation | 17 Aug 2023 | BWR D ISSUER NOT COOPERATING*/ Reaffirmation | 13 Jul 2022 | BWR D | 20 Apr 2021 | BWR D |
| | | | | | | | | | 25 Nov 2021 | BWR D INC* |
| Total | | | 238.18 | Rupees Two Hundred and Thirty Eight Crores and Eighteen Lakhs Only | | | | | | |

INC = ISSUER NOT COOPERATING;

*Issuer did not cooperate; based on best available information

Initial rating by BWR:

- BWR BBB+/Stable for Rs. 145 Crs. of proposed NCDs on 29 Nov 2016
- BWR BBB+/Stable/A2 for Rs. 170 Crs. of bank loan facilities on 28 Mar 2017

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit

<https://www.brickworkratings.com/download/ComplexityLevels.pdf>

HYPERLINK/REFERENCE TO APPLICABLE CRITERIA

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Infrastructure Sector](#)
- [Default Recognition and Post Default Curing Period](#)
- [Policy on Non-cooperation by Issuer](#)
- [Real Estate Sector](#)

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SHRISTI INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

ANNEXURE I

INSTRUMENT DETAILS

| Sl. No. | Instrument | Issue Date | Amount (Rs. Crs.) | Coupon Rate (%) | Maturity Date | ISIN Particulars |
|---------|-------------|--------------|-------------------|--|---------------|------------------|
| 1 | NCD / Bonds | 30 Nov 2016 | 145.00 | 10.00 | 30 Nov 2026 | INE472C07024 |
| | | Total | 145.00 | Rupees One Hundred and Forty Five Crores Only | | |

Note: NCDs listed on BSE.

SHRISTI INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

ANNEXURE II

Details of Bank Facilities rated by BWR

| Sl. No. | Name of the Bank | Type of Facilities | Long Term (Rs. Crs.) | Short Term (Rs. Crs.) | Total Rated (Rs. Crs.) |
|--|--|----------------------------------|----------------------|-----------------------|------------------------|
| 1 | UCO Bank | Cash Credit | 20.00 | 0.00 | 20.00 |
| 2 | | Bank Guarantee/ Letter of Credit | 0.00 | 10.00 | 10.00 |
| 3 | Punjab National Bank (erstwhile Oriental Bank of Commerce) | Cash Credit | 5.00 | 0.00 | 5.00 |
| 4 | Indian Bank | Cash Credit | 5.00 | 0.00 | 5.00 |
| 5 | | Bank Guarantee/ Letter of Credit | 0.00 | 10.00 | 10.00 |
| 6 | Yes Bank | Cash Credit | 10.00 | 0.00 | 10.00 |
| 7 | Union Bank of India | Term Loan | 21.18 | 0.00 | 21.18 |
| 8 | DBS Bank (erstwhile Lakshmi Vilas Bank) | Term Loan | 12.00 | 0.00 | 12.00 |
| TOTAL (Ninety Three Crores and Eighteen Lakhs Only) | | | | | 93.18 |



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