

## RATING RATIONALE

6 April 2021

### SREI Equipment Finance Limited (SEFL)

Brickwork Ratings downgrades its ratings on the NCDs, IPDI and CPs of SREI Equipment Finance Limited to BWR 'D'.

#### Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Nov,2020)	Present
Secured NCDs	2,878.30	<b>2,878.30</b>	Long Term	BWR BBB Credit watch with negative implications	<b>BWR D</b>
Unsecured NCDs	1,519.79	<b>1,519.79</b>	Long Term		
Innovative perpetual debt instrument (IPDI)	200	<b>200</b>	Perpetual	BWR BB Credit watch with negative implications	<b>BWR D</b>
Commercial Paper (CPs)	500	<b>500</b>	Short Term	BWR A3 Credit watch with negative implications	<b>BWR D</b>
<b>Total</b>	5,098.09	<b>5,098.09</b>	<b>INR Five Thousand Ninety Eight Crores and Nine lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

\*\* ISIN-wise details of NCDs are provided in Annexure-I&II

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) downgrades its ratings on SREI Equipment Finance Ltd's (SEFL's) non-convertible debentures (NCD), innovative perpetual debt instruments (IPDI) and commercial paper (CP) to 'BWR D' from 'BWR BBB/BB/A3'/credit watch with negative implications, respectively, as tabulated above.

The rating downgrade is on account of continuous delays in meeting the debt repayment obligations by the company.



BWR was restrained from treating the non-payment of interest or principal as default earlier, given the restrictive order of the Hon. NCLT Kolkata dated 30 Dec 2020, specifically Para 34 directing credit rating agencies (CRAs) to maintain SEFL's rating at least in investment grade and directing CRAs to not treat any non payment of debt obligations as default.

BWR appealed against the Hon. NCLT order dated 30 Dec 2020 and the Hon. NCLAT (National Company Law Appellate Tribunal) Delhi order dated 5 April 2021 has stayed the aforesaid Hon. NCLT, Kolkata's order. BWR has therefore recognised the continuous delays in debt repayment obligations of the company as default in line with SEBI guidelines.

The Hon. NCLAT, Delhi order dated 5 April 2021 states that “ considering the averments in appeal and general nature of the concerned Order the benefit of order passed on 02.03.2021 in Company Appeal (AT) No. 31 of 2021 with regard to stay of the concerned paragraph 34 of the Impugned Order may enure to the benefit of the Appellant in this Company Appeal (AT) No. 34 of 2021 also, till next date”.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at these ratings, BWR has considered a consolidated financial profile, wherein the financial performance of SREI Infrastructure Finance Limited and its key operating subsidiary SEFL (because of their strong operational and financial integration, common promoters and management, along with the two sharing a common brand name) is considered. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

#### **COMPANY PROFILE**

SREI Equipment Finance Ltd (SEFL) is a 100% subsidiary of SREI Infrastructure Finance Ltd (SIFL). SEFL is a non-deposit taking systemically important NBFC. The company is also registered with the RBI and is classified as an Asset Financing Company (AFC). The company is a leading financier in the Construction, Mining and allied Equipment (CME) sector in India offering loans and leases for new, as well as used equipment. The lending business, interest earning business and lease business of SIFL have merged with the company w.e.f 1 October 2019 pursuant to the slump exchange.

#### **Company Profile: SREI Infrastructure Finance Limited (SIFL)**

SREI Infrastructure Finance Ltd (SIFL), on a consolidated basis, with its wholly owned subsidiary SREI Equipment Finance Ltd (SEFL) has a presence majorly in the financing of the infrastructure sector and CME, besides the financing of IT, medical and farm equipment and Loans against Property (LAP). In October 2019, SIFL transferred all its assets and liabilities to SEFL through a slump sale. Post the transfer of business to SEFL, SIFL operates as a holding company and is involved in infrastructure and financial solutions advisory.

SIFL, the parent company of SEFL has reported a consolidated net loss of Rs 3,783 crores during 9MFY21 when compared to PAT of Rs 158.40 Crs during 9MFY20 on account of higher and accelerated provisioning. Its revenues from operations for the 9MFY21 stood at Rs 2841.64



crores as against Rs 4477.13 crores in the corresponding quarter last year.

The company's total consolidated provisioning for 9MFY21 was Rs 3,100 crore due to which the consolidated net worth has decreased to Rs 296 crore for 9MFY21 which includes accelerated provision aggregating to Rs. 1,542.13 Crores of SEFL, which is over and above the normal ECL provision. BWR believes that such erosion in networth would have resulted in breach of regulatory requirements in terms of CRAR (i.e., minimum CRAR of 15%).

The company has disclosed in its 9MFY21 results that SEFL is carrying out review and reconciliation of its borrowers/operating lessees under stress and to whom the moratorium/resolution plan was granted and the corresponding ECL/regulatory provisioning as mandated by RBI. Based on the review, SEFL has, as a prudent measure, decided to make accelerated provision aggregating to Rs 1542.13 Crs which is over and above the normal ECL provision. Consequently, SEFL has reported loss after tax of Rs 3,784.27 Crs for Quarter and Rs 3,762.41 Crs for the nine months period ended on 31 Dec 2020.

#### **KEY FINANCIAL INDICATORS: Consolidated**

<b>Key Financial Indicators</b>	<b>Units</b>	<b>FY19</b>	<b>FY20</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Consolidated AUM	Rs in Crs	47,070	44,836
Net Income from operations	Rs in Crs	2,963	2,325
PAT	Rs in Crs	487	89
Networth	Rs in Crs	4,097	4,006
Gearing	Times	8.11	8.07
Gross NPA	%	9.42	8.60
Total CRAR	%	15.60	15.70

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil**

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: Nil**

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

S. No	Name of Instrument (NCD/Bank Loan /Non-Fund Based facilitates/ Commercial Paper etc.)	Current Rating (2021)			Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable			
		Type(Long Term/Short Term)	Amount Outstanding (Rs. Crores)	Rating	Date(s) & Rating(S) assigned in 2019	Date(s) & Rating(s) assigned in 2018	Dates(s) & Rating(s) assigned in in 2017	
1				Apr 2021	7 Sep 2020	5 July 2019	8 Feb 2018	19 July 2017
	Secured NCDs	Long Term	2,898.30	BWR D	BWR A-Negative	BWR AA Negative	BWR AA+ Stable	BWR AA+ Stable
	Unsecured NCDs	Long Term	1,519.79					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	200	BWR D	BWR BBB-Negative	BWR A+ Negative	Nil	Nil
	Commercial Paper	Short Term	500	BWR D	BWR A2	BWR A1+	Withdrawn	BWR A1+
2					20 Nov 2020	25 July 2019	27 Jun 2018	
	Secured NCDs	Long Term	2,898.30		BWR BBB Credit watch with negative implications	BWR AA Negative	BWR AA+ Stable	
	Unsecured NCDs	Long Term	1,519.79					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	200		BWR BB Credit watch with negative implications	BWR A+ Negative	Nil	
	Commercial Paper	Short Term	500		BWR A3 Credit watch with negative implications	BWR A1+	Nil	
3						10 Sep 2019	13 Dec 2018	
	Secured NCDs	Long Term	2,898.30			BWR A+ Negative	BWR AA+ Stable	
	Unsecured NCDs	Long Term	1,519.79					

	Innovative Perpetual debt instrument (IPDI)	Perpetual	200			BWR BBB+ Negative	BWR AA-Stable	
	Commercial Paper	Short Term	500			BWR A1	Nil	
4							24 Dec 2018	
	Secured NCDs	Long Term	2,898.30				BWR AA+ Stable	
	Unsecured NCDs	Long Term	1,519.79					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	200				BWR AA-Stable	
	Commercial Paper	Short Term	500				BWR A1+	

**COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Commercial Paper](#)
- [Banks & Financial Institutions](#)

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**SREI Equipment Finance Limited**

**ANNEXURE I**

**INSTRUMENT (NCDs) DETAILS**

<b>Instruments</b>	<b>Issue Date</b>	<b>O/s Amount (Rs in Crs)</b>	<b>Maturity date</b>	<b>ISIN No</b>
NCD	17/Dec/12	17.00	17/Dec/22	INE881J08169
NCD	7/May/13	18.00	7/May/23	INE881J08219
NCD	27/Sep/13	16.00	27/Sep/20	INE881J08250
NCD	20/Dec/13	10.00	20/Dec/20	INE881J08276
NCD	16/Mar/15	5.00	16/Mar/25	INE881J08284
NCD	7/May/13	2.80	7/May/23	INE881J08219
NCD	23/Jun/17	5.00	23/Jun/27	INE881J08565
NCD	10/Oct/18	5.00	10/Oct/28	INE881J08672
NCD	13/Aug/15	50.00	13/Aug/22	INE881J08300
NCD	13/Aug/15	50.00	13/Aug/25	INE881J08318
NCD	13/Aug/15	100.00	13/Aug/25	INE881J08318
NCD	20/Aug/15	10.00	20/Aug/25	INE881J08326
NCD	24/Sep/15	12.00	24/Apr/23	INE881J08342
NCD	24/Sep/15	5.00	24/Sep/25	INE881J08359
NCD	24/Sep/15	23.60	24/Apr/21	INE881J08334
NCD	11/Jan/16	15.00	11/Jan/26	INE881J08367
NCD	20/Jan/16	5.00	20/Jan/26	INE881J08375
NCD	18/Mar/16	5.00	18/Mar/26	INE881J08409
NCD	31/Mar/16	20.00	31/Mar/26	INE881J08425
NCD	25/May/16	20.00	25/May/26	INE881J08441

NCD	26/May/16	3.50	26/May/26	INE881J08458
NCD	24/Aug/16	30.00	24/Aug/26	INE881J08466
NCD	1/Feb/16	7.00	1/May/21	INE881J08383
NCD	5/Feb/16	5.00	5/Feb/26	INE881J08391
NCD	29/Mar/16	2.00	29/Mar/23	INE881J08417
NCD	4/Oct/16	15.00	4/Oct/26	INE881J08474
NCD	7/Oct/16	40.00	7/Oct/26	INE881J08482
NCD	25/Oct/16	50.00	24/Apr/24	INE881J08490
NCD	4/Nov/16	10.00	4/Nov/26	INE881J08516
NCD	1/Mar/17	5.00	1/Jun/24	INE881J08524
NCD	9/Mar/17	5.00	9/Jun/22	INE881J08532
NCD	30/Mar/17	9.90	30/Mar/27	INE881J08557
NCD	30/Mar/17	40.10	30/Mar/27	INE881J08557
NCD	31/Mar/18	40.00	23/Jun/27	INE881J08565
NCD	8/Aug/17	69.90	8/Nov/22	INE881J08573
NCD	3/Jul/18	50.00	3/May/24	INE881J08664
NCD	13/Jun/14	10.00	13/Jun/24	INE881J07DG4
NCD	6/Oct/16	5.00	6/Oct/21	INE881J07DZ4
NCD	20/Jun/14	10.00	20/Jun/24	INE881J07DH2
NCD	20/Dec/16	10.00	20/Dec/26	INE881J07EB3
NCD	2/Dec/16	5.00	2/Dec/23	INE881J07EA5
NCD	3/Oct/17	6.00	3/Oct/24	INE881J07EU3
NCD	9/Jan/18	2.50	15/Sep/24	INE881J07ET5
NCD	17/Jan/18	1.00	15/Sep/24	INE881J07ET5
NCD	11/May/15	32.15	11/May/22	INE881J07DX9

NCD	17-Jan-17	50.72	17-Jan-22	INE881J07EK4
NCD	17-Jan-17	47.72	17-Jan-22	INE881J07EL2
NCD	17-Jan-17	43.09	17-Jan-22	INE881J07EM0
NCD	17-Jan-17	179.46	17-Jan-22	INE881J07EN8
NCD	17-Jan-17	0.15	17-Jan-22	INE881J07EO6
NCD	17-Jan-17	17.28	17-Jan-22	INE881J07EP3
NCD	26/May/17	20.00	26/May/24	INE881J07EQ1
NCD	31/May/17	10.00	31/May/24	INE881J07ER9
NCD	22/Jun/17	20.00	22/Jun/24	INE881J07ES7
NCD	15/Sep/17	20.00	15/Sep/24	INE881J07ET5
NCD	28/Dec/17	5.00	28/Dec/20	INE881J07EW9
NCD	18/Jan/18	10.00	18/Jan/28	INE881J07EX7
NCD	14/Mar/18	5.00	14/Mar/23	INE881J07EY5
NCD	25/May/18	22.61	25/May/21	INE881J07FD6
NCD	25/May/18	60.88	25/May/21	INE881J07FE4
NCD	25/May/18	17.36	25/May/21	INE881J07FF1
NCD	25/May/18	28.39	25/May/23	INE881J07FG9
NCD	25/May/18	112.37	25/May/23	INE881J07FH7
NCD	25/May/18	11.15	25/May/23	INE881J07FI5
NCD	25/May/18	23.25	25/May/28	INE881J07FJ3
NCD	25/May/18	133.94	25/May/28	INE881J07FK1
NCD	25/May/18	6.03	25/May/28	INE881J07FL9
NCD	24/Jan/19	17.99	24/Jan/22	INE881J07FO3
NCD	24/Jan/19	45.53	24/Jan/22	INE881J07FP0
NCD	24/Jan/19	9.06	24/Jan/22	INE881J07FQ8



NCD	24/Jan/19	25.78	24/Jan/24	INE881J07FR6
NCD	24/Jan/19	34.91	24/Jan/24	INE881J07FS4
NCD	24/Jan/19	6.78	24/Jan/24	INE881J07FT2
NCD	8/Aug/17	106.58	8/Nov/22	INE881J08573
NCD	8/Aug/17	150.53	8/Nov/22	INE881J08581
NCD	8/Aug/17	30.91	8/Nov/22	INE881J08599
NCD	8/Aug/17	9.32	8/Aug/24	INE881J08607
NCD	8/Aug/17	11.51	8/Aug/24	INE881J08615
NCD	8/Aug/17	2.81	8/Aug/24	INE881J08623
NCD	8/Aug/17	116.64	8/Aug/27	INE881J08631
NCD	8/Aug/17	45.78	8/Aug/27	INE881J08649
NCD	8/Aug/17	17.99	8/Aug/27	INE881J08656
NCD	24/Jan/19	14.28	24/Jan/29	INE881J08698
NCD	26/Mar/18	16.50	26/Mar/25	INE881J07EZ2
NCD	4/Apr/18	5.00	4/Apr/23	INE881J07FA2
NCD	6/Apr/18	5.00	4/Apr/23	INE881J07FA2
NCD	12/Apr/18	4.00	4/Apr/23	INE881J07FA2
IPDI	13/Dec/18	100.00	13/Dec/28	INE881J08680

**Total Rs. Two Thousand Four Hundred Seventy Nine Crs and Seventy Seven Lakhs Only**

**SREI Equipment Finance Limited**

**ANNEXURE II: Details of Instruments (NCDs) transferred from SIFL pursuant to Business Transfer agreement**

<b>Instrument</b>	<b>Issue date</b>	<b>O/s Amount (Rs in Crs)</b>	<b>Maturity Date</b>	<b>ISIN</b>
NCD	09/Sep/11	10.00	09/Sep/21	INE872A07PL6
NCD	29/Oct/11	30.00	29/Oct/21	INE872A07PQ5
NCD	18/Oct/12	10.60	18/Oct/22	INE872A08CJ6
NCD	31/Oct/12	4.90	31/Oct/22	INE872A08CL2
NCD	28/Sep/12	28.90	28/Sep/22	INE872A08CH0
NCD	16/Jan/13	2.50	16/Jan/23	INE872A08CO6
NCD	16/Jan/13	70.00	16/Jan/23	INE872A08CP3
NCD	24/Jan/13	60.70	24/Jan/23	INE872A08CQ1
NCD	28/Jan/13	7.00	28/Jan/23	INE872A08CT5
NCD	01/Mar/13	17.50	01/Mar/23	INE872A08CW9
NCD	28/Mar/13	16.50	28/Mar/23	INE872A08CY5
NCD	29/Jun/13	11.60	29/Jun/20	INE872A08DA3
NCD	29/Jun/13	10.40	29/Jun/23	INE872A08DB1
NCD	29/Jun/13	25.00	29/Jun/23	INE872A08DC9
NCD	28/Jul/15	29.05	28/Jul/20	INE872A07TT1
NCD	28/Jul/15	48.56	28/Jul/20	INE872A07TU9
NCD	28/Jul/15	10.73	28/Jul/20	INE872A07TV7
NCD	06/Oct/16	44.69	06/Oct/21	INE872A07UA9
NCD	06/Oct/16	86.48	06/Oct/21	INE872A07UB7
NCD	06/Oct/16	24.68	06/Oct/21	INE872A07UC5
NCD	27/Feb/17	40.32	27/Feb/22	INE872A07UI2
NCD	27/Feb/17	114.35	27/Feb/22	INE872A07UJ0
NCD	27/Feb/17	20.79	27/Feb/22	INE872A07UK8
NCD	29/Nov/13	4.50	29/Nov/23	INE872A07SD7
NCD	10/Nov/10	50.00	10/Nov/20	INE872A08BT7
NCD	23/Dec/11	69.05	23-Dec-21	INE872A08BX9
NCD	11/Jan/12	66.00	11-Jan-22	INE872A08BZ4

NCD	12/Jan/12	84.10	12-Jan-22	INE872A08CA5
NCD	08/Jun/12	0.70	8-Jun-22	INE872A07QD1
NCD	05/Oct/12	20.00	5-Oct-22	INE872A07QS9
NCD	31/Jul/12	1.30	31-Jul-22	INE872A07QM2
NCD	09/Dec/14	19.00	9-Dec-24	INE872A07TP9
NCD	30/Mar/12	100.00	30-Mar-22	INE872A08CB3
NCD	01/Jun/12	11.30	1-Jun-22	INE872A08CD9
NCD	31/Jul/12	12.06	31-Jul-22	INE872A08CF4
NCD	17/Jul/13	5.00	17-Jul-20	INE872A08DG0
NCD	17/Jul/13	23.00	17-Jul-23	INE872A08DH8
NCD	24/Jan/13	0.40	24-Jan-23	INE872A07RC1
NCD	24/Jan/13	0.70	24-Jan-23	INE872A07RE7
NCD	10/Jun/14	10.00	10-Jun-24	INE872A07TE3
NCD	16/Mar/18	22.35	16/Mar/21	INE872A07UN2
NCD	16/Mar/18	59.66	16/Mar/21	INE872A07UO0
NCD	16/Mar/18	30.80	16/Mar/21	INE872A07UP7
NCD	16/Mar/18	36.86	16/Mar/23	INE872A07UQ5
NCD	16/Mar/18	90.15	16/Mar/23	INE872A07UR3
NCD	16/Mar/18	31.28	16/Mar/23	INE872A07US1
NCD	15/May/19	5.59	18/Jun/20	INE872A07UW3
NCD	15/May/19	6.54	18/Jun/20	INE872A07UX1
NCD	15/May/19	15.08	15/May/22	INE872A07UY9
NCD	15/May/19	24.06	15/May/22	INE872A07UZ6
NCD	15/May/19	6.43	15/May/22	INE872A07VA7
NCD	15/May/19	21.05	15/May/24	INE872A07VB5
NCD	15/May/19	21.87	15/May/24	INE872A07VC3
NCD	15/May/19	5.15	15/May/24	INE872A07VD1
NCD	16/Mar/18	12.26	16/Mar/28	INE872A08DI6
NCD	16/Mar/18	11.60	16/Mar/28	INE872A08DJ4
NCD	16/Mar/18	3.16	16/Mar/28	INE872A08DK2
<b>IPDI</b>	05/Mar/19	10.00	Perpetual	INE872A08DL0

**Total Rs One Thousand Six Hundred Sixteen Crs and Twenty Five lakhs Only**

**SREI Equipment Finance Limited  
ANNEXURE III**

**List of entities consolidated**

<b>Name of Entity</b>	<b>% ownership</b>	<b>Extent of consolidation</b>	<b>Rationale for consolidation</b>
SREI Capital Markets Ltd	100%	Full	Subsidiary
Trinity Alternative Investment Managers Ltd	100%	Full	Subsidiary
Controlla Electrotech Pvt Ltd	100%	Full	Subsidiary
SREI Mutual Fund Asset Management Pvt Ltd	100%	Full	Subsidiary
SREI Mutual Fund Trust Pvt Ltd	100%	Full	Subsidiary
SREI Insurance Broking Pvt Ltd	100%	Full	Subsidiary
Bengal SREI Infrastructure Development Ltd	51%	Full	Subsidiary
Hyderabad Information Technology Venture Enterprises Ltd	51%	Full	Step down subsidiary
Cyberabad Trustee Company Pvt Ltd	51%	Full	Step down subsidiary
SREI Finance Ltd	100%	Full	Subsidiary
SREI Equipment Finance Ltd	100%	Full	Subsidiary
E-Village Kendra Ltd	49.47%	Full	Partial
IIS International Infrastructure Services, GMBH, Germany	49.13%	Full	Partial
SREI Mutual Fund Trust	100%	Full	Trust



### **For print and digital media**

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The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

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