



RATING RATIONALE

13 May 2021

SREI Infrastructure Finance Limited (SIFL)

Brickwork Ratings has reaffirmed the ratings of SREI Infrastructure Finance Limited based on the best available information, as the issuer did not cooperate.

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (Apr 2021)	Present
Innovative perpetual debt instrument (IPDI)	10	10	Perpetual	BWR D	BWR D Reaffirmed Issuer not cooperating#
Total	10	10	Rs. Ten crores only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

#Issuer did not cooperate, based on best available information.

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

Ratings: Reaffirmed at D and migrated to ‘Issuer Not Cooperating (INC) category

NATURE OF NON COOPERATION:

The company has not submitted NDS (No Default Statements) since January 2021. The company has also not responded to rating emails seeking required information over emails and through telephone calls. In the absence of adequate information/NDS (No Default Statements) from the Company on a regular basis, BWR is unable to assess the Company’s financial performance and its ability to service its debt and maintain a valid rating. Hence, on account of inadequate information and lack of management cooperation, Brickworks Ratings has reaffirmed the rating at BWR D and categorized the ratings as “Issuer Not Cooperating”.

LIMITATIONS OF THE RATING: Information availability risk is a key factor in the assessment of credit risk as generally, non-cooperation by the rated entities to provide the required information for a review of the assigned rating may also be accompanied by financial stress. Users of the credit rating should, therefore, take into account the possible deterioration in the credit quality of the rated entity arising from its non-transparency and withholdings of the information required for a review of the rating.



COMPANY PROFILE: SREI Infrastructure Finance Limited

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 Construction and Mining Equipment (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.

Company Profile: SREI Equipment Finance Limited

SEFL is a 100% subsidiary of 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 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 merged with the company w.e.f 1 October 2019 pursuant to the slump exchange.

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

Key Financial Indicators	Units	FY19	FY20
Result Type		Audited	Audited
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 2020	Date(s) & Rating(s) assigned in 2019	Dates(s) & Rating assigned in 2018	
1				May 2021	6 Apr 2021	7 Sep 2020	10 Sep 2019	17 Dec 2018
	Secured NCDs	Long Term	0.00	Nil	Nil	Withdrawn	BWR A+ Negative	BWR AA+ Stable
	Unsecured NCDs	Long Term	0.00					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	10	BWR D Reaffirmed Issuer not Cooperating*	BWR D Downgrade	BWR BBB- Negative	BWR BBB+ Negative	BWR AA+ Stable
	Commercial Paper	Short Term	0.00	Nil	Nil	Withdrawn	BWR A1	BWR A1+

2					13 Mar 2021	20 Nov 2020	25 July 2019	
	Secured NCDs	Long Term	0.00		Credit Update	Nil	BWR AA Negative	
	Unsecured NCDs	Long Term	0.00					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	10			BWR BB Credit watch with negative implications	BWR A+ Negative	
	Commercial Paper	Short Term	0.00			Nil	BWR A1+	
3					13 Jan 2021		5 July 2019	
	Secured NCDs	Long Term	0.00		Credit Update		BWR AA Negative	
	Unsecured NCDs	Long Term	0.00					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	10				BWR A+ Negative	
	Commercial Paper	Short Term	0.00				BWR A1+	
4								
	Secured NCDs	Long Term	0.00					
	Unsecured NCDs	Long Term	0.00					
	Innovative Perpetual debt instrument (IPDI)	Perpetual	10					
	Commercial Paper	Short Term	0.00					



COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	
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SREI Infrastructure Finance Limited

ANNEXURE I: Details of Instruments

Instrument	Issue date	O/s Amount (Rs in Crs)	Maturity Date	ISIN
IPDI	05/Mar/19	10.00	Perpetual	INE872A08DL0

Total Rs Ten Crores Only

SREI Infrastructure Finance Limited

ANNEXURE II

List of entities consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
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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