Sadbhav Infrastructure Project Limited

September 23, 2020

Ratings

Instrument*	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Non-Convertible Debentures-III	150.00 (reduced from 189.30)	**CARE BBB+ (CE) (Under Credit watch with Negative Implications) [Triple B Plus (Credit Enhancement)] (Under Credit watch with Negative Implications)**	Revised from CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable] and rating put under credit watch with Negative Implications
Long-term Non-Convertible Debentures-IV	89.20 (reduced from 102.00)	**CARE BBB+ (CE) (Under Credit watch with Negative Implications) [Triple B Plus (Credit Enhancement)] (Under Credit watch with Negative Implications)**	Revised from CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable] and rating put under credit watch with Negative Implications
Long-term Non-Convertible Debentures-V	110.80 (reduced from 127.40)	**CARE BBB+ (CE) (Under Credit watch with Negative Implications) [Triple B Plus (Credit Enhancement)] (Under Credit watch with Negative Implications)**	Revised from CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable] and rating put under credit watch with Negative Implications
Total Instruments	**350.00 (Rs. Three Hundred Fifty Crore Only)**		

Details of facilities in Annexure – 1;
**backed by unconditional and irrevocable corporate guarantee of Sadbhav Engineering Limited [SEL; rated CARE BBB+/ CARE A3+ (Under Credit watch with Negative Implications)]*

Detailed Rationale & Key Rating Drivers

The rating assigned to the non-convertible debentures (NCD) issue of Sadbhav Infrastructure Project Limited (SIPL) takes into account the unconditional and irrevocable corporate guarantee extended by SEL.

The revision in the ratings assigned to the bank facilities and non-convertible debentures of Sadbhav Engineering Limited (SEL) takes into account slower than envisaged pace of execution which has resulted into decline in total operating income (TOI) from Rs.865 crore during Q1FY20 (FY refers to the period from April 01 to March 31) to Rs.432 crore during Q4FY20 to Rs.243 crore during Q1FY21. Higher proportion of slow moving projects in its order book due to various hindrances, as well as fund mobilization issues in three of its hybrid annuity model (HAM) projects along with COVID-19 impact during Q1FY21 had led to overall sluggish execution. Despite lower execution, the current asset levels of Sadbhav[2] group remains high due to relatively higher proportion of escalation debtors in HAM projects, pending debt syndication in one HAM project, as well as delay in release of mobilization advances in one HAM project and change of scope in certain projects. Consequently, higher working capital borrowings coupled with higher than estimated decline in group's scale of operation had led to moderation in debt coverage indicators during FY20 and Q1FY21. Hence, increase in the pace of execution leading to scaling up of SEL's TOI from Q3FY21 while improving its collection efficiency as articulated by management shall be rating sensitivity.

Although the group has successfully divested its entire stake in eight out of nine operational SPVs, the stake sale in one of the SPVs is still under process which was earlier expected to be concluded by June 2020. As indicated by the management, the same is on account of extended lockdown in Ahmedabad. As a result, the receipt of balance stake sale proceeds of around Rs.340 crore has been delayed and hence ratings have been placed on 'Credit Watch with Negative Implications'. CARE Ratings shall closely monitor the receipt of balance stake sale proceeds and subsequent debt rationalization considering higher repayment obligations in FY22.

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[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*
[2] *Combining SEL (standalone) and Sadbhav Infrastructure Project Limited (SIPL; standalone) financials*

The ratings, however, positively factor the inflow of sizeable quantum of stake sale proceeds to the tune of Rs.1568 crore till June 30, 2020 which has led to improvement in its capital structure. Out of this proceeds, Rs. 979 crore of debt has been repaid at SEL and SIPL standalone level. Monthly release of construction grant from June 2020 by National Highways Authority of India (NHAI) under 'Atmanirbhar Bharat Scheme' for contractors has also provided partial cash flow relief to Sadbhav group. In addition, achievement of provisional commercial operations date (PCOD) in two of the HAM projects and expected PCOD for four more HAM projects by March 2021 is expected to reduce funding requirements of Sadbhav group in medium term thus aiding its liquidity. The ratings also take note of the potential upside in cash flows including receipt of arbitration proceeds and up-streaming of surplus cash flows from one of its operational road SPV Maharashtra Border Check Post Network Ltd (MBCPNL; rated CARE A; Under credit watch with negative implication). The ratings also takes the cognizance of the various fund raising plans being contemplated by the management which if materializes can provide cash flow cushion to Sadbhav group in funding equity commitments, pre-payment of term debt and shoring up its working capital requirements. Ratings also takes the note of the two EPC project aggregating Rs.1572 crore being awarded to SEL by NHAI.
The above rating strengths are, however, tempered by inherent challenges faced by the construction sector, including the current challenging fund raising scenario and labour issues for the sector due to on-going COVID-19 pandemic.

Rating sensitivities
Positive factors

- Monetization of sizeable investment in HAM SPVs
- Significant growth in TOI and improvement in the current asset days below 250 days

Negative factors

- Inability to grow scale of operations while improving stretched current assets levels by December 2020.
- Delay in receipt of mobilization advances aggregating Rs.330 crore in its HAM and EPC projects beyond December 2020 impacting the funding requirement of the group
- More than envisaged support to BOT projects due to further delay in achievement of provisional commercial operations date (PCOD) impacting debt coverage indicators of SEL.

Detailed description of the key rating drivers of guarantor- SEL
Decline in the scale of operations
The TOI of SEL declined from Rs.865 crore during Q1FY20 to Rs.432 crore during Q4FY20 to Rs.243 crore during Q1FY21 on account of large proportion of slow moving projects in its order book, as well as fund mobilization issues in three of its hybrid annuity model (HAM) projects along with COVID-19 impact. Execution pace slowed down in its HAM projects, leading to delay in all its on-going HAM projects. During Q1FY21, availability of raw material and labor also remained constrained due to COVID-19 which gradually improved to 70% of pre-COVID level during July 2020. Nevertheless, as indicated by the management, execution pace has picked up post Q1FY21 which coupled with release of monthly grant in HAM projects and monthly billing in EPC projects by NHAI from June 2020 has provided cash flow cushion to SEL.
Post monsoon i.e. during Q3FY21, SEL envisages significant ramp up in its scale of operations which is expected to be largely driven by execution of two of its nascent stage HAM projects as well as one large EPC project having unexecuted aggregate contract value of Rs.3316 crore. In addition, SEL is also expecting appointed date in two of the recently awarded EPC projects. Achievement of targeted contract receipt from Q3FY21 is the critical rating sensitivity.

Delayed execution in most of HAM projects; albeit achievement of PCOD in two projects based on partial completion providing some relief
Nine out of the 10 ongoing HAM projects of Sadbhav group are progressing with delays; with six of them having surpassed original schedule completion date. Delay in the de-scoping of unavailable land, delay in approval based on partial completion and delay in receipt of mobilization advances in two HAM projects are prominent reasons for behind the schedule execution. Delay in the receipt of mobilization advances of Rs.140 crore in one HAM project (Sadbhav Kim Expressway Private Limited; SKEL; rated CARE BBB+; Stable) for which appointed date was received during Q3FY20 led to marginal project progress in comparison to the earlier estimates. As indicated by the management same is now expected to be received by end of October 2020. Furthermore, pending debt syndication in one of the HAM project (Sadbhav Jodhpur Ring Road Highway Private Limited; SJRHPL) led to slower project progress.
Sadbhav group is required to support these projects for any cost overrun or cash flow deficit till stabilization of revenue stream. However, receipt of extension of time (EoT) and consequent rescheduling of repayments in some SPVs have provided some comfort in near term. Furthermore, two HAM projects have achieved PCOD in current year based on available length providing some relief. Further, provisional COD for four more HAM projects are expected by end of FY21. Nevertheless, timely realization of the debtors from the said projects is also imperative for the overall liquidity of the group.

Stretched current assets position

Sadbhav group's current asset days stretched from 259 days during FY19 to 448 days during FY20 in line with earlier expectations. However, improvement in the current assets levels was gradually expected due to estimated improvement in pace of execution post stake sale and expected receipt of mobilization advances of Rs.240 crore by June 2020 in two HAM SPVs. Although the debtors have reduced as on August 31, 2020 as compared to March 31, 2020, it continued to remain higher on account of pending receipt of mobilization advances and pending term debt disbursement in SJRHPL.

Further, debtors from irrigation, mining and escalation portion of HAM projects are relatively slow moving which reduces the recovery rate of old debtors. However, debtor's position is also expected to improve to an extent with monthly release of payments from NHAI and PCOD expected for four HAM projects by March 2021. The same is reflected from the cash-inflow of Rs.700 crore from EPC and HAM projects during April to August 2020. Significant improvement in the debtors from HAM projects by December 2020 on the back of improved pace of execution, disbursement of pending term loan and release of mobilization advances is the critical rating sensitivity.

Moderate debt coverage indicators

Sadbhav group's combined total debt/PBILDT moderated from 3.81 times during FY19 to 4.59 times during FY20 on account of decline in scale of operations. Interest coverage of Sadbhav group also steadily moderated from 2.54 times during FY19 to 1.44 times during FY20 and 1.11 times during Q1FY21 mainly on account of decline in scale of operations and higher working capital borrowing. Gross cash accruals on combined basis also declined from Rs.67.48 crore during Q1FY20 to Rs.26.58 crore during Q1FY21. In addition, the market capitalization of the group also continued to remain low as compared to combined networth.

Key Rating Strengths:

Completion of stake sale process with transfer of eight out of the nine projects led to improvement in the capital structure

On July 1, 2019, SEL and SIPL made an announcement on stock exchange regarding execution of Share Purchase Agreements with IndInfravit Trust for selling their entire equity stake in their nine operational BOT SPVs (seven toll and two annuity based projects). As of March 20, 2020, SEL and SIPL have transferred eight out of the nine SPVs (i.e. excluding Ahmedabad Ring Road Infrastructure Ltd; ARRIL rated CARE A-; under credit watch with developing implications) and has received stake sale proceeds of Rs.1,568 crore till June 30, 2020 in addition to the listed units of IndInfravit trust of Rs.724 crore, which provides some financial flexibility and stable source of dividend. Proceeds of stake sale has been utilized for the prepayment of NCD of Rs.686 crore including prepayment premium, repayment of bridge loans of Rs.293 crore, which led to improvement in overall gearing (on combined basis) from 0.86 times as on March 31, 2019 to 0.57 times as on March 31, 2020. The networth base also augmented due to gain of Rs.500 crore (net of write off of loans in two operational projects) on stake sale. TOL/TNW improved from 1.18 times as on March 31, 2019 to 0.90 times as on March 31, 2020 due to prepayment of NCDs.

The group is yet to receive balance stake sale proceeds of Rs.73 crore against the already transferred eight operational assets which is envisaged to be received by Q3FY21. Stake sale of ARRIL is delayed as compared to earlier timeline of June 2020 due to pending no objection certificate from the concessioning authority of ARRIL, i.e. Ahmedabad Urban Development Authority (AUDA) due to extension of lockdown in Ahmedabad as articulated by mangement, which is now expected to be received by Q3FY21.

Established track record in the Indian road construction sector

SEL has a sound track record of over two decades in the Indian road construction sector. SEL has successfully completed construction of more than 8,400 lane km of road projects since its establishment.

Reduced exposure of the group to inherent risks associated with BOT projects

Subsequent to stake sale, exposure in BOT projects has reduced significantly to 68% of the combined net-worth as of March 31, 2020 as against 110% as on March 31, 2019. Aggregate equity commitment of Sadbhav group for 10 under construction HAM projects was Rs.1122 crore. Out of which equity to the tune of Rs.694 crore is already infused till August 2020 which reduces funding risk to an extent. Balance Rs. 428 crore is envisaged to be infused in FY21-FY22. Receipt of stake sale proceeds of Rs.90 crore, and up streaming of cash flow from two operational toll roads of around Rs.40 crore had been utilized to meet the equity commitment and funding requirement of Sadbhav group. Furthermore, Sadbhav group is required to support two operational underperforming toll road projects on sustained basis. As articulated by the management, the group also expects additional cash flows from receipt of arbitration awards, up-streaming of surplus cash flow of MBCNL and receipt of compensation for toll exemption in ARRIL (already received).

Various initiatives undertaken by the Government of India (GOI) to improve the prospects of the road construction sector

GOI through National Highways Authority of India (NHAI; rated 'CARE AAA; Stable') has taken various steps to improve the prospects of the road sector. These include premium rescheduling for stressed projects, bidding of tenders only after 80% land has been acquired for the project, release of 75% of arbitration award against submission of bank guarantee and 100% exit for developers after two years of project completion and NHAI funding for projects that are stuck at advanced stages of completion. Furthermore, NHAI has made some favourable changes in the clauses of model concession agreement and introduced HAM based BOT projects to reduce the equity commitment of the developers. After witnessing steady increase in pace of award during last three years, pace of award has declined in FY19 and FY20 due to moderation in the bidding appetite due to challenging fund raising scenario. EPC is, thus, envisaged to be the preferred mode of award till improvement in fund raising environment and bidding appetite of the developers. Furthermore, to ease the funding and smoothen the cash flows of the projects during construction phase due to on-going COVID-19 pandemic, NHAI has also permitted to disburse monthly grant/bills against the work billed as against the previous milestone based payments. In addition, NHAI has also issued modalities to reinforce the contractual terms of descoping in HAM projects which is expected to provide partial relief in execution hurdles due to RoW issues.

Key Rating Weaknesses:

Challenging environment for the construction industry

The construction sector is facing hurdles in fund raising due to delay in enhancement of working capital limits (including non-fund based limits), delay in financial closure and equity raising plans on account of challenging business environment for the sector and weakened financial health of the banking sector. The inherent risk involved in the construction industry including aggressive bidding, traffic risk, interest rate risk, volatile commodity prices and delay in project progress due to resistance towards land acquisition and regulatory clearances have collectively affected the credit profile of the developers in the past. Pace of award for NHAI is expected to remain subdued which is also expected to impact pace of construction in the near term.

Liquidity: Stretched

Liquidity position of the group continued to remain stretched on account of higher current assets. Decline in scale of operations coupled with increased working capital requirement has led to moderation in the debt coverage indicators during FY20 and Q1FY21. Utilization of fund based limits continues to remain high at around ~95% for past twelve months ended June 2020. SEL has an approved letter for additional fund based working capital limits of Rs.100 crore. Utilization of non-fund based limits was also 90% for the trailing twelve months ended June 2020.

SEL has availed moratorium on bank loans from certain lenders as per RBI scheme from April 2020 to August 2020. Sadbhav group has repayment obligations of around Rs.140 crore during FY21 and Rs.359 crore during FY22. Hence, timely receipt of stake sale proceeds from ARRIL and subsequent debt rationalization is crucial from credit perspective. However, liquidity is also expected to ease over medium term with release of mobilization advances and pending debt disbursements in HAM projects. Financial flexibility is also derived from listed units of InvIT valued at Rs.724 crore as on March 31, 2020.

Analytical approach: Guarantor’s Assesment , SEL

CARE has analyzed SIPL’s credit profile by considering credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by SEL for NCDs of SIPL.

CARE has taken a combined view of SEL (standalone) and SIPL (standalone) for analytical purpose. This is because majority of the long-term debt raised in SIPL is backed by unconditional and irrevocable corporate guarantee of SEL. Further, SEL and SIPL have operational and financial linkages for funding investment in new projects, bridging of shortfall in select SPVs as well as up-streaming of cash flow of SPVs.

Applicable Criteria

Criteria on assigning ‘Outlook’ and ‘Credit watch’ to Credit Ratings
CARE’s Policy on Default Recognition
Criteria for Rating Credit Enhanced Debt
Rating Methodology – Consolidation and Factoring Linkages in Ratings
Rating Methodology - Infrastructure Sector Ratings
Financial Ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the Company - SIPL

SEL had floated a 100% subsidiary, SIPL, in January 2007, as a holding company for its BOT projects. During FY11, SEL diluted 22.22% of its stake through the issue of fresh equity of Rs.300 crore and compulsory convertible cumulative preference shares (CCCPS) of Rs.100 crore to private equity (PE) investors. Proceeds of PE were utilized by SIPL for fulfilling its equity commitment in BOT projects. During September 2015, SIPL raised Rs.425 crore through Initial Public Offer (IPO) of its equity shares.

During FY20, SIPL executed share purchase agreement with IndInfravit Trust (IndInfravit) and sold its entire stake in eight operational build operate transfer (BOT) special purpose vehicles (SPV) for the enterprise value of Rs.6,610 crore, while the stake sale is awaited in one operational SPV. Post the transaction, SIPL has a portfolio of 13 BOT projects (four operational toll road projects, nine under construction HAM projects of which two HAM projects have received PCOD on partial length). SIPL

also has 10% stake in Indinfravit Trust in the form of listed units valuing Rs.720 crore which has lock-in period till February 2021.
Further, as per the stock exchange announcement dated October 19, 2019, SIPL would be merged with SEL with effect from April 1, 2019 subject to various statutory and regulatory approvals including the approval of NCLT. In consideration of the merger, SEL shall issue one equity share of SEL against three equity shares of SIPL to every shareholder of SIPL.

Covenants of rated instruments: Detailed explanation of covenants of the rated instruments is given in **Annexure-3**

(Rs. crore)

Brief Financials – SIPL (Standalone)	FY19 (A)	FY20 (A)
Total Operating Income	368	258
PBILDT	284	152
PAT	57	377
Overall Gearing	1.08	0.42
Interest Coverage (times)	1.62	0.71

A: Audited

About the Guarantor - SEL
Incorporated in 1988 and founded by late Shri Vishnubhai Patel, SEL is an Engineering Procurement and Construction (EPC) contractor executing projects in roads, irrigation and mining segment. SEL had floated a wholly-owned subsidiary – SIPL as a holding company of build-operate-transfer (BOT) projects in 2007. Apart from the 13 BOT portfolio with SIPL, SEL also has one HAM project on its books.
The board of directors of SEL has approved the changes in the directorship within promoters in May 2020 wherein earlier Chairman and Managing Director of SEL, Mr. Shashin Patel has been appointed as vice chairman and non-executive director. Mr. Vasistha Patel is appointed as Chief Executive Officer (CEO) of SEL. The company has also approved constitution of business advisory committee comprising of independent members and Mr. Shashin Patel, promoter and son of Late Vishnubhai Patel.
Further, as per stock exchange announcement dated October 19, 2019, SIPL would be merged with SEL with effect from April 1, 2019 subject to various statutory and regulatory approvals including approval of National Company Law Tribunal (NCLT).

Brief Financials (Rs. crore) – SEL-Standalone	FY19 (A)	FY20 (A)
Total operating income	3634	2363
PBILDT	513	394
PAT	187	85
Overall gearing (times; including mobilization advances)	0.91	0.80
Interest coverage (times)	2.93	2.03

A – Audited;

Brief Financials (Rs. crore) – Sadbhav Group#	FY19	FY20
Total operating income	3942	2529
PBILDT	736	454
PAT	243	462
Overall gearing (times; including mobilization advances)	0.86	0.57
Interest coverage (times)	2.54	1.44

#combining SEL (standalone) and SIPL standalone financials

As per published Q1FY21 provisional results, (refers to the period from April 01 to June 30) SEL on a standalone basis has reported total operating income (TOI) of Rs.244.77 crore (Q1FY20: Rs.864.59 crore) and loss of Rs.26.58 crore as against profit after tax (PAT) of Rs.39.38 crore during Q1FY20. Further, on combined basis during Q1FY21 Sadbhav group reported TOI of Rs.282.86 crore (Q1FY20: Rs.913.15 crore) and loss of Rs.20.07 crore as against PAT of Rs.41.02 crore during Q1FY20.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure – 2

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures-III	INE764L07116, INE764L07124, INE764L07132, INE764L07140, INE764L07157, INE764L07165	September 21, 2016	10.30%	April 26, 2022	150.00	CARE BBB+ (CE) (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures-IV	INE764L07173	April 23, 2018	10.20%	April 23, 2023	89.20	CARE BBB+ (CE) (Under Credit watch with Negative Implications)
Debentures-Non Convertible Debentures-V	INE764L07181	June 06, 2018	10.20%	June 06, 2023	110.80	CARE BBB+ (CE) (Under Credit watch with Negative Implications)

Annexure-2: 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.	Bonds	LT	-	-	-	-	1)Withdrawn (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)
2.	Debentures-Non Convertible Debentures - I	LT	-	-	-	1)Withdrawn (07-Jan-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 3)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Feb-19) 2)CARE A+ (SO); Stable (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)
3.	Debentures-Non Convertible Debentures - II	LT	-	-	1)Withdrawn (22-Sep-20)	1)CARE A- (CE); Stable (25-Mar-20) 2)CARE A (CE) (Under Credit watch with Developing Implications)	1)CARE A (SO); Stable (20-Feb-19) 2)CARE A+ (SO); Stable (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)

						(07-Jan-20) 3)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 4)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)		
4.	Debentures-Non Convertible Debentures - III	LT	150.00	CARE BBB+ (CE) (Under Credit watch with Negative Implications)	-	1)CARE A-(CE); Stable (25-Mar-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (07-Jan-20) 3)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 4)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Feb-19) 2)CARE A+ (SO); Stable (18-Sep-18)	1)CARE A+ (SO); Stable (08-Jan-18)
5.	Fund-based/Non-fund-based-LT/ST	LT/ST	400.00	CARE BBB+ / CARE A3+ (Under Credit watch with Negative Implications)	-	1)CARE A-; Stable / CARE A2+ (25-Mar-20) 2)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (07-Jan-20) 3)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (30-Oct-19) 4)CARE A- / CARE A2+ (Under Credit watch with Developing Implications)	-	1)CARE A-; Stable / CARE A2+ (28-Nov-17)

						(10-Jul-19) 5)CARE A-; Stable / CARE A2+ (04-Apr-19)		
6.	Debentures-Non Convertible Debentures - IV	LT	89.20	CARE BBB+ (CE) (Under Credit watch with Negative Implications)	-	1)CARE A- (CE); Stable (25-Mar-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (07-Jan-20) 3)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 4)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Mar-19) 2)CARE A+ (SO); Stable (18-Sep-18) 3)Provisional CARE A+ (SO); Stable (16-Apr-18)	-
7.	Debentures-Non Convertible Debentures - V	LT	111.80	CARE BBB+ (CE) (Under Credit watch with Negative Implications)	-	1)CARE A- (CE); Stable (25-Mar-20) 2)CARE A (CE) (Under Credit watch with Developing Implications) (07-Jan-20) 3)CARE A (CE) (Under Credit watch with Developing Implications) (30-Oct-19) 4)CARE A (CE) (Under Credit watch with Developing Implications) (10-Jul-19)	1)CARE A (SO); Stable (20-Mar-19) 2)CARE A+ (SO); Stable (18-Sep-18) 3)Provisional CARE A+ (SO); Stable (16-Apr-18)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument – Non Convertible Debentures	Detailed explanation
A. Financial covenants	
1. SIPL's Total Debt/ Equity not exceeding 0.8 times	All financial covenants are met.
2. SIPL's Total Debt not to exceed Rs.1,000 crore	
3.SEL's Total Debt/Equity not to exceed 1.25 times	
4. No loss on PAT basis in SEL on an annual basis	
5. SEL's Total Debt / EBITDA not to exceed 3.5 times	
B. Non-financial covenants	
1.Unconditional and irrevocable corporate guarantee from SEL	SEL has provided unconditional and irrevocable corporate guarantee for NCDs of SIPL.
2. SIPL/SEL's networth to remain positive during tenor of issue	
3. Prior approval of investor for any transaction of merger, de-merger, consolidation, re-organization or scheme of arrangement, etc.	
4. Not to undertake any new business if equity commitment for single project is more than Rs.500 crore	
5. Prescribed cash flow to be followed in case of stake sale in step-down subsidiaries	

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Complex

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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