

January 04, 2021

## Kheda Economic Infrastructure Private Limited: Rating downgraded to [ICRA]D and simultaneously upgraded to [ICRA]B-, rating under watch with developing implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based - Term Loan	430.00	430.00	Rating downgraded to [ICRA]D from [ICRA]B-& and simultaneously upgraded to [ICRA]B-&
<b>Total</b>	<b>430.00</b>	<b>430.00</b>	

\*Instrument details are provided in Annexure-1  
&: rating under Watch with Developing Implications

### Rationale

The rating downgrade to [ICRA]D follows the recent change made in ICRA's approach ([click here](#)) towards default recognition in cases where an account continues to remain irregular at the time when the resolution plan (RP)<sup>1</sup> is not invoked by the lenders. As per a recent clarification taken by ICRA from the RBI, for cases where the RP is not invoked, a continued overdue status is to be construed as default.

In August 2020, KEIPL had applied to its lenders for a loan restructuring relief. At the same time, the company had missed its due payments in view of its stressed cash flows and in anticipation of a favourable restructuring of loans. For the period during which the company's restructuring application was being reviewed by the lenders, ICRA had not recognized the missed payments as default in accordance with its published approach. However, once the RP was not invoked and the account continued to remain irregular, ICRA has now recognised default based on the recent clarifications taken by ICRA from the RBI, as opposed to its earlier approach published in September 2020 as per which such instances were not construed as default<sup>2</sup>.

It may be noted that on December 11, 2020, KEIPL had cleared its past dues and the account is currently regular.

Further, the rating has been simultaneously upgraded to [ICRA]B- as the company has received infusion of Rs. 120 crore from one of the Group company because of which its credit profile has undergone a significant change. Accordingly, while upgrading the rating of KEIPL from the default category even prior to the passage of the cooling period of 90 days from the date when the account became regular, ICRA has made an exception to its policy. This is in accordance with ICRA's Policy on Default Recognition and the exceptions allowed therein.

The rating, however, remains under "Watch with Developing Implications" as ICRA understands that the sponsors of KEIPL are in the process of extending a corporate guarantee for the rated facilities. The "Watch" designation reflects the uncertainty around whether the corporate guarantee will be executed or not. In case the said corporate guarantee is executed, the rated facilities may experience a sharp rating upgrade. ICRA will resolve the "Watch" upon reviewing the

<sup>1</sup> Under the Resolution Framework for Covid-19-related stress specified by the Reserve Bank of India vide its circular of August 6, 2020.

<sup>2</sup> Accordingly, in its rating rationale for KEIPL published on December 28, 2020, ICRA had not considered this instance as default.

terms of the corporate guarantee as and when it is executed. Alternatively, the “Watch” will be resolved, and the rating will be reviewed in case the sponsors retract the plan to extend the corporate guarantee.

## Key rating drivers and their description

### Credit strengths

**Strategic location near Pune’s industrial hub, Chakan Industrial belt and Port Trust** - Khed city is in close proximity to existing industrial zones around Pune, like Chakan, Pimpri Chinchwad, Talegaon and Ranjangaon. It is also well connected to other parts of the country with close proximity to NH - 50 and overseas locations through the JNPT (160 km) and Lohegaon airport in Pune.

### Credit challenges

**Lumpy cashflows as against sizeable monthly debt obligations, weak liquidity position** - The revenue streams of KEIPL are linked to proceeds from execution of agreement for sale/ lease of land parcels and have remained weak over the recent past due to delay in some of the deal finalisations due to the pandemic. Moreover, the ticket size of such transactions is generally large and has led to lumpy cashflows for KEIPL in the past.

**Significant marketing risk given sizeable residual leasable area and competition in the vicinity** - Significant marketing risk exists due to large area (1,152 acres) to be sold/leased. As on August 18, 2020 only 259.2 acres of the area was sold/leased. Further, existence of another large multi-product SEZ project in the vicinity (Navi Mumbai SEZ, India Bulls SEZ in Nashik) along with other sector specific SEZs in Pune increases the marketing risk.

### Liquidity position: Poor

Cash flow from operations are expected to remain weak in FY2021. The company has received infusion of Rs. 120 crore in December 2020 of which Rs. 110 crore has been utilized for clearing the past dues and part prepayment of debt.

### Rating sensitivities

**Positive triggers** - The rating could be upgraded after assessment of the proposed corporate guarantee along with assessment of the credit risk profile of the guarantor.

**Negative triggers** - Any weakening of the credit risk profile which impacts the debt serving ability of the company may result in a rating downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Real Estate Entities</a> <a href="#">Policy on Default Recognition</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	ICRA has taken a standalone view of Khed Economic Infrastructure Private Limited

## About the company

Khed Economic Infrastructure Private Limited, a Special Purpose Vehicle (SPV) jointly promoted by Kalyani Group (KG) and Maharashtra Industrial Development Corporation (MIDC), is undertaking to implement a sector specific SEZ, DTA and IIA over an area of 1705 Ha in Khed Taluka near Pune District in the State of Maharashtra. KEIPL had signed lease agreement with MIDC for 1,200 Ha land on December 18, 2009 and for 505.62 Ha land on June 30, 2010. The above lease is for an initial period of 95 years, extendable for a further period of 95 years. Earlier, company was planning to setup multiproduct SEZ in 1,000 Ha however the plan is now revised to setup 100Ha SEZ and develop remaining 900Ha area as Integrated Industrial Area (IIA) under Maharashtra Industrial Policy, 2013 and / or as Domestic Tariff Area. KEIPL has received final approval for partial de-notification for 257 Ha in April 2017.

## Key financial indicators (Audited)

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
Operating Income (Rs. crore)	44.5	40.2	47.0
PAT (Rs. crore)	(20.4)	(49.3)	(59.8)
OPBDIT/OI (%)	-17.7%	-4.0%	-1.8%
ROCE (%)	-0.9%	0.0%	0.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.5	1.6	2.0
Total Debt/OPBDIT (times)	(51.5)	(255.5)	(484.6)
Interest Coverage (times)	(0.6)	(0.0)	(0.0)

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for past three years**

	Instrument	Current Rating (FY2021)							Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Rating				FY2020	FY2019	FY2018	
					4-Jan-2021	28-Dec-2020	25-Sep-2020	28-Aug-2020	28-June-2019	18-Feb-2019	28-May-2018	27-Jun-2017
1	Term Loan	Long Term	430.00	400.80 <sup>^</sup>	[ICRA]B-&	[ICRA]B-&	[ICRA]B-&	[ICRA]B-(Stable)	[ICRA]B(Stable)	[ICRA]D	[ICRA]BB(Stable)	[ICRA]BB(Stable)

Amount in Rs. crore; <sup>^</sup>As on March 31, 2020, &: under Rating Watch with Developing Implications

**Complexity level of the rated instrument**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2018	NA	March 2026	430.00	[ICRA]B-&

Source: KHED Economic Infrastructure Private Limited

**Annexure-2: List of entities considered for consolidated analysis**

Not applicable

## Analyst Contacts

### Shubham Jain

+91 124 4545 306

[shubhamj@icraindia.com](mailto:shubhamj@icraindia.com)

### Anand Kulkarni

+91 22 6169 3326

[anand.kulkarni@icraindia.com](mailto:anand.kulkarni@icraindia.com)

### Sandhya Negi

+91 20 6606 9925

[sandhya.negi@icraindia.com](mailto:sandhya.negi@icraindia.com)

## Relationship Contact

### L. Shivakumar

+91 22 6169 3300

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

### Ms. Naznin Prodhani

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents