

March 02, 2022

## Shrem Infra Structure Private Limited: Rating Reaffirmed and assigned

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures (NCD)	85.00	85.00	[ICRA]AA (Stable); Reaffirmed
Proposed NCD	150.00	150.00	[ICRA]AA (Stable); Reaffirmed
Proposed Market Linked Debentures (MLD)	-	275.00	PP-MLD [ICRA]AA (Stable); Assigned
<b>Total</b>	<b>235.00</b>	<b>510.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The assigned rating favourably factors in Shrem Infra Structure Private Limited's (SISPL) steady cash flows in the form of distribution income from Shrem InvIT (rated [ICRA]AAA (Stable)). SISPL is the largest unitholder of Shrem InvIT with ~62.88% of total unitholding as on January 31, 2022. The rating draws comfort from the regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to unit holders of InvIT. Shrem InvIT holds 24 operational road special purpose vehicles (SPVs), with an average operational track record of five years. The InvIT has a diversified portfolio, comprising five National Highway Authority of India (NHAI; [ICRA]AAA (Stable)) awarded hybrid annuity (HAM) projects, one Ministry of Road Transport and Highway (MoRTH) awarded HAM project, one NHAI toll project, 10 state annuity plus toll projects, six state annuity projects and one state toll project. The projects awarded by the Central Government authorities (NHAI/MoRTH) are expected to account for 86% of the consolidated cumulative revenues, while the remaining 14% will be from the state authorities.

The rating is, however, constrained by the limited track record of distribution income from the Shrem InvIT with two distributions received till date. The InvIT was launched in September 2021 and till date, SISPL received two distributions aggregating to Rs. 181.68 crore in November 2021 and February 2022 for Q2 FY2022 and Q3 FY2022 respectively. Any change in frequency of distribution by Shrem InvIT or lower than anticipated distribution will impact the company's liquidity position and debt coverage indicators, which remains a key rating monitorable. SISPL plans to raise debt of Rs. 425 crore to part fund acquisition of new road assets which will eventually get transferred to the Shrem InvIT over next few quarters. The details of the acquisition are yet to be finalized. ICRA will continue to monitor the developments in this regard and evaluate the impact of the acquisition both on Shrem InvIT and SISPL once the transaction gets consummated. The addition of new assets to InvIT would also result in higher distribution income for SISPL. Notwithstanding the increase in debt, the company's debt coverage metrics are expected to remain comfortable. Nevertheless, any incremental increase in external debt levels thereby impacting the company's coverage metrics will be a key monitorable.

The Stable outlook reflects ICRA's opinion that SISPL will receive steady distribution income from Shrem InvIT and comfortable debt coverage metrics.

### Key rating drivers and their description

#### Credit strengths

**Steady cash flows from Shrem InvIT** – SISPL holds 62.88% of the total units in the Shrem InvIT, which generates steady cash flows in the form of distribution income. This is further supported by regulatory stipulation of at least 90% of net distributable

cash flows to be distributed to unit holders of InvIT. Shrem InvIT holds 24 operational road SPVs, with an average operational track record of 5 years. The InvIT has a diversified portfolio, comprising five NHAI awarded HAM projects, one HAM project from MoRTH, one NHAI toll project, 10 state annuity plus toll projects, six state annuity projects and one state toll project. The projects awarded by the Central Government authorities (NHAI/MoRTH) are expected to account for 86% of the consolidated cumulative revenues, while the remaining 14% will be from the state authorities.

**Comfortable coverage metrics** – SISPL debt coverage metrics are expected to remain comfortable for total debt of Rs. 500.0 crore (Rs. 75.0 crore existing outstanding debt and Rs. 425.0 crore proposed debt). Moreover, the debt to equity value of investment is expected to remain below 20%.

## Credit challenges

**Limited track record of distribution income** – SISPL's revenues depend entirely on the distribution income from Shrem InvIT. It has a limited track record of distribution income from the Shrem InvIT with two distributions received till date. The InvIT was launched in September 2021 with distribution received in November 2021 and February 2022 for Q2 FY2022 and Q3 FY2022 respectively. SISPL received distribution income of Rs. 98.56 crore and Rs. 83.12 crore for Q2 FY2022 and Q3 FY2023 respectively. Any change in frequency of distribution by Shrem InvIT or lower than anticipated distribution will impact the company's liquidity position and debt coverage indicators, which remains a key rating monitorable.

**Proposed debt raising plans to increase the leverage** – SISPL plans to raise debt of Rs. 425 crore to part fund acquisition of new road assets which will eventually get transferred to the Shrem InvIT over next few quarters. This is expected to increase the total external debt of the company to Rs. 500 crore, impacting its leverage. Notwithstanding the increase in debt, the company's debt coverage metrics are expected to remain comfortable. Nevertheless, any incremental increase in external debt levels thereby impacting the company's coverage metrics will be a key monitorable. The details of the acquisition are yet to be finalized. ICRA will continue to monitor the developments in this regard and evaluate the impact of the acquisition both on Shrem InvIT and SISPL once the transaction gets consummated. The addition of new assets to InvIT would also result in higher distribution income for SISPL.

## Liquidity position: Adequate

SISPL's liquidity is adequate with the company's debt obligations expected to be comfortably met through the cash flows from operations. The company's steady cash flows generated from the distribution income of Shrem InvIT is expected to be adequate to meet the debt serving obligations of the proposed debt.

## Rating sensitivities

**Positive factors** – ICRA may upgrade the ratings if significant increase in the distribution income from Shrem InvIT results in improvement in debt coverage metrics.

**Negative factors** – Pressure on SISPL's rating may arise if there is a weakening in credit profile of the Shrem InvIT or change in the frequency InvIT / significantly lower-than-anticipated distribution from InvIT, impacts the liquidity position. The rating could also be downgraded if external indebtedness increases beyond Rs. 500 crore or there is a material deterioration in company's debt coverage metrics.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Holding Companies</a>
Parent/Group Support	Not Applicable

<b>Consolidation/Standalone</b>	Standalone
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## About the company

Incorporated in 2014, Shrem Infra Structure Private Limited is the sponsor of Shrem InvIT, which is an infrastructure investment trust consisting of 24 operational SPVs held through three holding companies – Shrem Infraventure Private Limited, Shrem Roadways Private Limited and Shrem Tollway Private Limited under the said trust. The InvIT was formed under the Indian Trust Act, 1882 and an approval has been received from SEBI for the InvIT on February 4, 2021. Established in 2011, Shrem group is a Mumbai-based family office managed by Mr. Nitin Chhatwal and Mr. Hitesh Chhatwal.

## Key financial indicators

	<b>FY2020</b>	<b>FY2021</b>
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-5.0	-5.6
OPBDIT/OI (%)	-	-
PAT/OI (%)	-	-
Total Outside Liabilities/Tangible Net Worth (times)*	9.5	3.7
Total Debt/OPBDIT (times)	-	-
Interest Coverage (times)	-	-

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

\*Total Outside Liabilities include unsecured debt and advances from promoters/related entities

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

## Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2022)						Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Jan 31, 2022 (Rs. crore)	Date & Rating in FY2022			Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					March 02, 2022	February 24, 2022	September 15, 2021			
1	NCD	Long-term	85.0	75.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-
2	Proposed NCD	Long-term	150.0	NA	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-	-
3	Proposed MLD	Long-term	275.0	NA	PP-MLD [ICRA]AA (Stable)	-	-	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity Indicator
NCD	Simple
MLD	Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE391V07026	NCD	September 2021	14.25%	December 2024	50.00	[ICRA]AA (Stable)
INE391V07018	NCD	September 2021	14.25%	March 2023	35.00	[ICRA]AA (Stable)
NA	Proposed NCD	NA	NA	NA	150.00	[ICRA]AA (Stable)
NA	Proposed MLD	NA	NA	NA	275.00	PP-MLD [ICRA]AA (Stable)

**Source:** Company

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

Not applicable

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### Branches



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