

February 13, 2024^(Revised)

Shrem Infra Invest Private Limited: Rating upgraded and removed from 'ISSUER NON-COOPERATING' category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debentures (NCD)	50.00	31.25	[ICRA]AA- (Stable); Rating upgraded from [ICRA]BB+ (Stable) ISSUER NOT COOPERATING and removed from the 'ISSUER NOT COOPERATING' category
Non-convertible debentures (NCD)	75.00	60.00	[ICRA]AA- (Stable); Rating upgraded from [ICRA]BB+ (Stable) ISSUER NOT COOPERATING and removed from the 'ISSUER NOT COOPERATING' category
Market-linked debentures (MLD)	274.00	274.00	PP-MLD [ICRA]AA- (Stable); Rating upgraded from PP-MLD [ICRA]BB+ (Stable) ISSUER NOT COOPERATING and removed from the 'ISSUER NOT COOPERATING' category
Total	399.00	365.25	

*Instrument details are provided in Annexure I

Rationale

The rating factors in Shrem Infra Invest Private Limited's (SIPL) steady cash flows in the form of distribution income from Shrem InvIT and comfortable debt coverage metrics. SIPL¹ is the largest unitholder of Shrem InvIT with ~54% of the total unitholding as on December 31, 2023. The rating draws comfort from the regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the unitholders of InvIT. SIPL has received ten quarterly distributions from Shrem InvIT resulting in a satisfactory track record of distribution. Further, Shrem InvIT has recently completed the acquisition of ten hybrid annuity (HAM) projects (of which one is 49% acquired as on January 30, 2024) operating under the National Highway Authority of India (NHAI; [ICRA]AAA (Stable)) and has a total of 34 operational road special purpose vehicles (SPVs), with an average operational track record of six years. The InvIT has a diversified portfolio, comprising 15 NHAI HAM projects, one Ministry of Road Transport and Highway (MoRTH) HAM project, one NHAI toll project, 10 state annuity plus toll projects, six state annuity projects and one state toll project. ICRA notes the recent increase in leverage of Shrem InvIT to 50.89% as on September 30, 2023 from 37.73% as on September 30, 2022.

The rating is, however, constrained by the revenue concentration risks with SIPL's revenues entirely dependent on distribution income from Shrem InvIT and its overall indebtedness increasing to Rs. 582.75 crore (including Rs. 242.8 crore of MLDs held by Shrem Group entities) as on December 31, 2023. The company availed additional debt of Rs. 230 crore in Q1 FY2024 to part-fund the acquisition of ten HAM assets and the total gross debt increased to Rs. 637.75 crore as on June 30, 2023 from Rs. 449 crore as on December 31, 2022. With repayment of MLDs of Rs. 274 crore in the near term, ICRA expects the leverage to remain at moderate levels with debt to market value of investment remaining below 20%. ICRA notes that the Group has displayed a tendency to adjust its financial policy, including a tolerance for a higher financial leverage. Therefore, any material increase in SIPL's leverage or InvIT's leverage resulting in lower-than-anticipated distribution income will impact its liquidity position and debt coverage indicators and remains a key rating monitorable.

¹ SIPL has a 100% subsidiary, Shrem Enterprises Pvt. Ltd (SEPL), and holds 8,19,31,681 units as on December 31, 2023, post-acquisition of ten new HAM assets by Shrem InvIT. For all analytical consideration, SIPL's leverage also factors in debt at its subsidiaries.

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

Key rating drivers and their description

Credit strengths

Steady cash flows from Shrem InvIT – SIPL holds 54% of the total units in Shrem InvIT as on December 31, 2023, which generates steady cash flows in the form of distribution income. This is further supported by regulatory stipulation of at least 90% of the net distributable cash flows to be distributed to the unitholders of the InvIT. Shrem InvIT holds 34 operational road SPVs (of which one is 49% acquired as on January 30, 2024), with an average operational track record of six years. The InvIT has a diversified portfolio, comprising 15 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.

Established track record of distribution income – SIPL has steady cash flows in the form of distribution income from Shrem InvIT. The InvIT was launched in September 2021 and the first distribution income was given in November 2021. Since then, SIPL has received ten distributions as on January 31, 2024. It has received a total of Rs. 953 crore as distribution income till date.

Credit challenges

Revenue concentration – SIPL's revenues are completely dependent on the distribution income from Shrem InvIT. Therefore, any material increase in the InvIT's leverage resulting in lower-than-anticipated distribution income, or change in the frequency of distribution income, will impact its liquidity position and debt coverage indicators, which remains a key rating monitorable.

Moderate leverage levels – SIPL availed additional debt of Rs. 230 crore in Q1 FY2024 to part-fund the acquisition of ten HAM assets and the total gross debt increased to Rs. 637.75 crore as on June 30, 2023 from Rs. 449 crore as on December 31, 2022. With repayment of MLDs of Rs. 274 crore in the near term, ICRA expects the leverage to remain at moderate levels with debt to market value of investment remaining below 20%. Further, the company's debt coverage metrics are expected to remain comfortable due to higher unitholding in the InvIT. SIPL (along with SEPL) holds 30.99 crore units as on December 31, 2023 (post-acquisition of 10 HAM assets) against 24.55 crore units as on September 30, 2022 (pre-acquisition). ICRA notes that the Group has displayed a tendency to make adjustments to its financial policy, including a tolerance for a higher financial leverage.

Liquidity position: Adequate

SIPL's liquidity position is adequate with cash balances of Rs. 187.77 crore as on February 06, 2024. The company has a debt repayment of Rs. 27.5 crore in Q4 FY2024 and Rs. 450.28 crore in FY2025 (including the MLDs of Rs. 242.8 crore held by group company (Shrem Constructions Private Ltd, SCPL)). SIPL has also given advances of Rs 242.8 crore to SCPL, the proceeds from which will be used towards paying off the MLDs. The cash-flow from operations and liquid investments will be adequate to service its debt servicing obligations going forward. The liquidity is also supported by timely distribution expected from Shrem InvIT.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if there is a sustained track record of distribution income from Shrem InvIT resulting in robust debt coverage metrics, along with improvement in the credit profile of Shrem InvIT.

Negative factors – Pressure on SIPL's rating may arise if there is a weakening in the credit profile of Shrem InvIT or change in the frequency/significantly lower-than-anticipated distribution from the InvIT impacting the coverage metrics and liquidity position. The rating could be downgraded if there is a material increase in external indebtedness or contingent liabilities.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Investment Companies
Parent/Group Support	Not Applicable
Consolidation/Standalone	Consolidated; For arriving at the rating, ICRA has consolidated the financial of Shrem Enterprises Pvt. Ltd, a 100% subsidiary of SIPL.

About the company

Incorporated in 2014, Shrem Infra Invest Private Limited (formerly known as Shrem Infra Structure Private Limited) is the sponsor of Shrem InvIT, which is an infrastructure investment trust consisting of 34 operational SPVs. 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, the Shrem Group is a Mumbai-based family office managed by Mr. Nitin Chhatwal and Mr. Hitesh Chhatwal. The promoter group holds 53.9% of units in Shrem InvIT, of which 39.66% is held by SIPL and 14.25% by SEPL.

Key financial indicators (audited)

	FY2022	FY2023
Operating income (Rs. crore)	102.0	140.4
PAT (Rs. crore)	1992.74	93.1
OPBDIT/OI (%)	96.1%	93.3%
PAT/OI (%)	1953.4%	66.4%
Total outside liabilities*/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	6.7	3.4
Interest coverage (times)	10.8	2.9

Source: Annual Report, ICRA Research; 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:

The company also faces prepayment risk, given the possibility of accelerated payment upon the breach of rating linked triggers or upon exercise of the put option by the debenture holders. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

Rating history for past three years

Instrument	Type	Current Rating (FY2024)					Chronology of Rating History for the past 3 years						
		Amount Rated (Rs. crore)	Amount Outstanding as on December 31, 2023 (Rs. crore)	Date & Rating in			Date & Rating in FY2023		Date & Rating in FY2022			Date & Rating in FY2021	
				February 13, 2024	Dec 21, 2023	Jun 23, 2023	Mar 02, 2023	Apr 12, 2022	Mar 02, 2022	Feb 24, 2022	Sep 15, 2021	-	-
1	NCD	Long term	31.25	31.25	[ICRA]AA- (Stable)	[ICRA]BB+(Stable); ISSUER NOT COOPERATING	[ICRA]AA (Negative)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-
2	NCD	Long term	60.00	60.00	[ICRA]AA- (Stable)	[ICRA]BB+(Stable); ISSUER NOT COOPERATING	[ICRA]AA (Negative)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
3	MLD	Long term	274.00	274.00	PP-MLD [ICRA]AA- (Stable)	PP-MLD [ICRA]BB+(Stable); ISSUER NOT COOPERATING	PP-MLD [ICRA]AA (Negative)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	-	-	-
4	NCD	Long term	35.00	-	-	[ICRA]BB+(Stable); ISSUER NOT COOPERATING and withdrawn	[ICRA]AA (Negative)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-
5	NCD	Long term	75.00	-	-	[ICRA]BB+(Stable); ISSUER NOT COOPERATING and withdrawn	[ICRA]AA (Negative)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
NCD (Rs. 31.25 crore)	Simple
NCD (Rs. 60 crore)	Very 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE391V07026	NCD	September 14, 2021	14.25%	December 20, 2024	31.25	[ICRA]AA- (Stable)
INE391V07042	NCD	February 25, 2022	8.39%	August 31, 2024	60.00	[ICRA]AA- (Stable)
INE391V07067	MLD	March 11, 2022	NA	June 11, 2024	137.00	PP-MLD [ICRA]AA- (Stable)
INE391V07075	MLD	March 11, 2022	NA	September 11, 2024	137.00	PP-MLD [ICRA]AA- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company	Ownership	Consolidation approach
Shrem Enterprises Pvt. Ltd	100%	Full Consolidation

Corrigendum:

Earlier rationale captured only the month and year of date of issuance and maturity date of each NCDs, which has been changed to reflect the exact date in Annexure 1.

The complexity indicators of the NCDs (Rs. 60 crore) is corrected and included prepayment risk in the 'Any other Information' section in the revised version.

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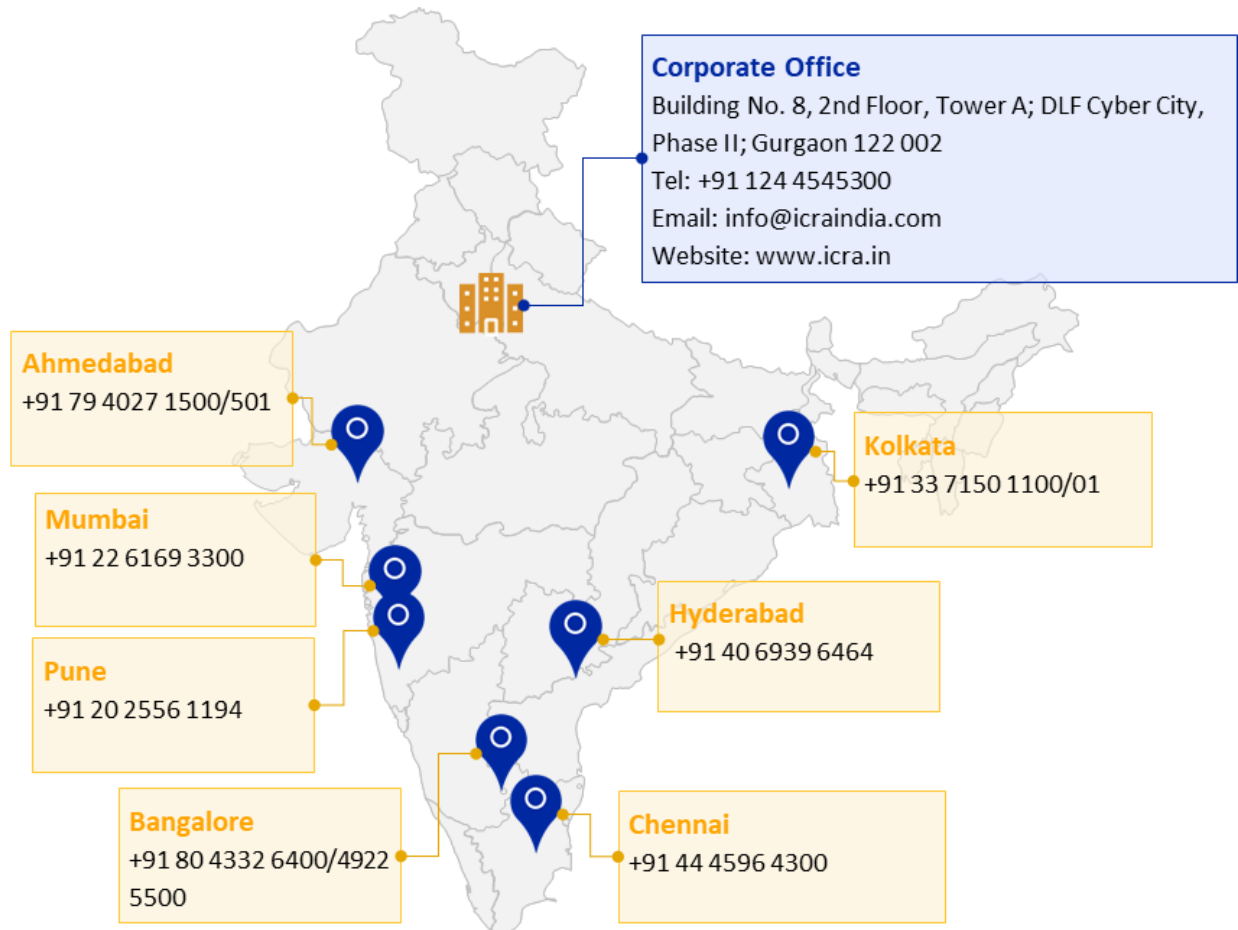
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