

May 28, 2019

## Galina Consultancy Services Private Limited: Ratings Downgraded to [ICRA]A+(SO)& and withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debentures	300.00	300.00	[ICRA]A+(SO)&; Downgraded from [ICRA]AA-(SO)& and withdrawn

\*Instrument details are provided in Annexure-1  
&: rating watch with developing implications

### Rationale

ICRA has downgraded the rating assigned to Rs. 300.00<sup>1</sup> crore structured non-convertible debenture (NCD) programme of Galina Consultancy Services Private Limited (GCSPL) to [ICRA]A+(SO) (pronounced ICRA A Plus Structured Obligation) from [ICRA]AA-(SO) (pronounced ICRA Double A Minus structured obligation). The long-term rating continues to remain on watch with developing implications.

Additionally, rating for the Rs. 300.0-crore NCD programme have been withdrawn at the request of the company and upon receipt of no objection certificate/no dues certificate from Debenture Trustee, in accordance with ICRA's policy on withdrawal and suspension of credit rating.

The letter SO in parenthesis suffixed to the rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure do not represent ICRA's opinion on the general credit quality of the issuer concerned.

The Rs. 300 crore structured NCD programme of GCSPL is backed by a unconditional, irrevocable and revolving DSRA (debt service reserve account) guarantee by Shapoorji Pallonji and Company Private Limited (SPCPL) that would cover all scheduled debt obligations that may arise on the rated NCDs. The payment mechanism is designed to ensure timely payment to the investors as per terms of the transaction, even if the Issuer does not pay and the NCD redemption happens through monies due from/arranged by SPCPL, as per the terms of the transaction.

The revision in rating of structured debt programme follows the revision in the long-term rating of SPCPL (DSRA Guarantee Provider) to [ICRA]AA- (pronounced ICRA double A Minus) from [ICRA]AA (pronounced ICRA Double A). The long-term rating for SPCPL continues to remain on watch with developing implications.

### Rating on watch with developing implications

The rating continues to remain on watch with developing implications. ICRA will closely monitor the progress achieved by DSRA Guarantee Provider (SPCPL) in terms of its deleveraging plans through equity infusion, asset monetisation, internal accruals and progress achieved in its plans to replace some of the DSRA support with long term non-recourse debt at the SPV level.

<sup>1</sup> 100 lakh = 1 crore = 10 million

## Liquidity position:

The DSRA Guarantee provider, i.e. SPCPL has liquid surplus of Rs. 1,450 crore as on April 30, 2019 along with unutilised working capital limit of Rs. 192 crore. The projected cash accruals are not adequate to meet the high repayment obligations of Rs. 3,966 crore falling due in FY2020, therefore, the company remains exposed to refinancing risk. However, comfort can be taken from the financial flexibility enjoyed by the group with a demonstrated track record of refinancing debt in the past. Further, ICRA expects SPCPL to ensure timely servicing of the debt obligations at the SPV level.

## Key rating drivers

### Credit strengths

The NCDs would be redeemed in one bullet instalment on the scheduled maturity date. The coupon amount would be payable on the NCDs on a quarterly basis. The DSRA Guarantee from Shapoorji Pallonji and Company Private Limited (SPCPL) would cover all payment obligations of the issuer that may arise on the rated NCDs, as per the terms of the transaction documents. The payment mechanism is designed to ensure timely payment to the investors, even if the guarantee has to be invoked by the Debenture Trustee. The transaction covenants that SPCPL would maintain 76% shareholding in GCSPL and not cede management control over GCSPL during the tenure of rated NCDs. The transaction also covenants that the external debt on the books of GCSPL would be restricted to Rs. 750 crore during the tenure of the rated NCDs.

### Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Approach for rating debt instruments backed by third-party explicit support</a> <a href="#">ICRA's Policy on Withdrawal and Suspension of Credit Rating</a>
Parent/Group Support	Parent/Group Company: Shapoorji Pallonji Group For arriving at the ratings, ICRA has taken into account the unconditional and irrevocable DSRA guarantee from SPCPL that would cover all the repayment obligations to the lender as per the terms of the NCD documents.
Consolidation / Standalone	Not Applicable since the rating is based on unconditional and irrevocable DSRA guarantee from SPCPL

### About the company:

Galina Consultancy Services Private Limited (GCSPL) is one of the investment companies of the Shapoorji Pallonji (SP) Group. GCSPL currently owns a 3 acre sea facing land parcel next to Juhu Beach, Mumbai having a bungalow (villa) called Hacienda Bungalow admeasuring around 60,641 square feet. The Group plans to develop a luxury hotel/residential project at the project site. During FY2017, S.D. Suburban Development Private Limited (SSDPL) was merged with GCSPL after it acquired the balance 40% stake of SSDPL from Shapoorji Pallonji and Company Private Limited (SPCPL). It had earlier acquired 60% stake from SPCPL in FY2016. SSDPL owns a 160 acre land parcel in and around Hinjewadi, Pune, of which 30 acre plot was sold during the year to the SP Group for its affordable housing project being developed under the 'Joyville Housing' brand in partnership with International Finance Corporation, Asian Development Bank and Standard Chartered Private Equity.

### Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	13.0	2.0
PAT (Rs. crore)	-15.1	-33.8
OPBDIT/OI (%)	-70.9%	-285.9%
RoCE (%)	0.0%	0.2%
Total Debt/TNW (times)	-71.7	-20.4
Total Debt/OPBDIT (times)	-95.8	-164.2
Interest coverage (times)	-0.6	-0.2

### About –DSRA Guarantee Provider

Shapoorji Pallonji and Company Private Limited (SPCPL), is the flagship company of the Shapoorji Pallonji Group (SP Group), which is a diversified industrial conglomerate comprising of a group of companies held by the Mistry Family. The SP Group has a diversified presence across sectors such as construction (SPCPL, Afcons Infrastructure Limited), mechanical electrical and plumbing (Sterling & Wilson Private Limited), contracting (Sterling & Wilson Private Limited), water purification (Eureka Forbes Limited), infrastructure development (Shapoorji Pallonji Infrastructure Capital Company Private Limited), solar power generation and contracting (Sterling & Wilson Private Limited and Shapoorji Pallonji Infrastructure Capital Company Private Limited), floating production storage and offloading (FPSO) vessels (SP Oil & Gas Private Limited) etc. The SP Group is also the largest private shareholder (18.37%) in Tata Sons Limited, the holding company of the Tata Group.

SPCPL, which is held by Mistry family through various group companies, functions as the holding-cum-operating company of the SP Group. The company holds stakes in various listed and unlisted companies, within and outside the SP Group, and also has significant investments in properties that have high market value. SPCPL is one of India's leading construction companies, with a heritage of more than 150 years. Over the years, SPCPL has built diverse civil and engineering structures such as factories, stadiums and auditoriums, airports, hospitals, housing complexes, and power plants.

For detailed rating rationale on Shapoorji Pallonji and Company Private Limited, [click here](#) for referring to the release published on ICRA website.

### Key Financial Indicators (Standalone)

	FY2018A	FY2019P
Operating Income (Rs. crore)	9,827	12,631
PAT (Rs. crore)	342	323
OPBDIT/ OI (%)	13.4%	11.50%
RoCE (%)	11.6%	10.8%
Total Debt/ TNW (times)	2.9	2.7
Total Debt/ OPBDIT (times)	5.7	6.5
Interest coverage (times)	1.8	1.7

Source: Company, ICRA Research

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

**Any other information: None**

**Rating history for last three years:**

Current Rating (FY2020)					Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated	Amount Outstanding	Date & Rating	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017	
		(Rs. crore)	(Rs. crore)	May 2019	Nov 2018	January 2018	December 2016	
1	NCD	300.00	-	[ICRA]A+(SO)&; withdrawn	[ICRA]AA-(SO)&	[ICRA]AA(SO) (Stable)	[ICRA]AA(SO) (Stable)	

*&: 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 No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE839U07018	NCD	09-May-16	9.90%	15-Apr-19	200.00	[ICRA]A+(SO)&; withdrawn
INE839U07026	NCD	03-Oct-16	9.90%	30-Sep-19	100.00	[ICRA]A+(SO)&; withdrawn

Source: Company

&: rating watch with developing implications

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