

April 14, 2020

## Select Infrastructure Private Limited: [ICRA]AA (Stable); rating outstanding

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term Unallocated	197.0	197.0	[ICRA]AA (Stable); rating outstanding
<b>Total</b>	<b>197.0</b>	<b>197.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has noted the measures taken by the Central Government towards containment of novel coronavirus (Covid-19), which includes the pan-India 21-day lockdown announced on March 24, 2020. Even before the lockdown by the Central Government, temporary shutdown of malls/cinema halls was initiated by various state governments in the month of March. These measures are likely to impact the credit risk and liquidity profile of the Select Infrastructure Private Limited (SIPL), atleast during the period of the restrictions, as the mandatory closure of the cinemas and malls will impact the cashflow position of the company considering the tenants may seek waiver or deferment of rent payments.

While the Central Government's lockdown is applicable till April 14, 2020, clarity is yet to emerge on possible extension or staggered exit from the lockdown, which in turn will be contingent on the extent of spread of Covid-19. ICRA, however, believes that malls in India will continue to be vulnerable to the current situation as the Government's focus remains on avoiding mass gatherings. Therefore, the operations may not fully commence immediately after the exit from the lockdown. Extended shutdown of operations may weaken the credit risk profile of SIPL, in line with that of other mall operators. Furthermore, the companies' business risk profile in the sector will remain under pressure even after commencement of operations due to expected sparse footfalls, especially since there remains certain dependence on revenue share as well. ICRA will continue to monitor the rapidly changing situation and possible impact on the company's risk profile.

The company's total outstanding debt is low at ~Rs. 49.0 crore as on March 31, 2020, against OPBIDTA<sup>1</sup> of Rs. 150.0 crore and profit after tax of Rs. 101.4 crore in FY2019, leading to strong debt protection metrics. As on April 1, 2020, the company had unencumbered cash balances and liquid investments of Rs. 7.2 crore as well as undrawn bank lines of Rs. 10.0 crore. Additionally, ICRA's rating continues to derive comfort from the company's strong promoter group. The company has Rs. 3.7 crore and Rs. 14.4 crore of interest and debt repayment obligations in Q1 FY2021 and FY2021, respectively. It has indicated the inclination towards availing the RBI forbearance for a period of two months, i.e. April and May 2020, should the need arise at the due date. SIPL has already serviced the interest and debt obligations for March 2020. It is possible that the borrowers eligible for getting relief from the lending institutions miss their payments till the time the institutions finalise board-approved policies for providing relief. ICRA would not be considering such missed payments as default for the time being. However, if there is no official deferment communication from the lending institutions in due course, ICRA would review the aforementioned stand on default recognition. The extent of utilisation of liquidity will also be dependent on the final mechanism decided between the lenders and the company regarding the repayment of the debt obligations accumulated during the allowed moratorium period. ICRA will continue to monitor the developments and the impact on company's credit risk profile closely, and take appropriate rating action as more clarity emerges.

<sup>1</sup> OPBIDTA – Operating Profit before Depreciation, Interest, Tax, and Amortization

**Key rating drivers and their description** Updated information is not available, refer to the previous detailed rating rationale on the following link for complete information: [Click here](#)

**Liquidity position:** Updated information not available, refer to the previous detailed rating rationale on the following link for complete information: [Click here](#)

**Rating sensitivities** Updated information not available, refer to the previous detailed rating rationale on the following link for complete information: [Click here](#)

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Debt Backed By Lease Rentals (LRD-Lease Rental Discounting Loans)</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

### About the company

Select Infrastructure Private Limited (SIPL) was set up in 1979 as Sita Transport Private Limited. It remained a shell company till October 2003, when its name was changed to SIPL. It is a closely held company owned by the Sharma family (70%) and the Aarone Group (30%). The company owns and manages a retail property in Saket in New Delhi, having a total covered area of 0.39 million sq. ft. Select Citywalk was developed as a mixed-use property with commercial offices, retail space, alongside service apartments and cinemas. The total cost of the project was over Rs. 480 crore. Commercial offices and service apartments were sold by SIPL in FY2008. It retained the retail space with itself and is managing the same on a 100% lease-based strategy and on a minimum monthly guarantee (MMG) model, wherein SIPL receives the lease rent or a predetermined percentage of revenues, whichever is higher.

### Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	287.3	308.8
PAT (Rs. crore)	76.2	101.4
OPBDIT/OI (%)	52.3%	48.6%
RoCE (%)	47.8%	51.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.2	1.3
Total Debt/OPBDIT (times)	0.6	0.6
Interest Coverage (times)	10.3	10.2
DSCR	6.7	8.5

**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	FY2017
					14-Apr-2020	27-Sep-2019	18-Jul-2018	10-Jul-2017
1	Long term Unallocated	Long Term	197.0	-	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)

Amount in Rs. crore

### 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	Long term Unallocated	NA	NA	-	197.0	[ICRA]AA (Stable)

Source: SIPL

### Annexure-2: List of entities considered for consolidated analysis: Not applicable

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