

June 12, 2019

Universal Mine Developers and Service Providers Pvt. Ltd: Rating downgraded to [ICRA]A-(SO), rating continues to remain under Watch with Developing Implications

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	156.00	156.00	[ICRA]A-(SO)&; downgraded from [ICRA]A(SO)&, rating continues to remain under watch with developing implications
Cash Credit	6.00	6.00	[ICRA]A-(SO)&; downgraded from [ICRA]A(SO)&, rating continues to remain under watch with developing implications
Total	162.00	162.00	

*Instrument details are provided in Annexure-1

Rationale:

The Rs. 162 crore facilities as tabulated above of Universal Mine Developers and Service Providers Pvt. Ltd. (UMDSPPL) are backed by an unconditional and irrevocable corporate guarantee issued by Shapoorji Pallonji Infrastructure Capital Company Private Limited (SPICCPPL; rated [ICRA]A-&/[ICRA]A2+&) for the rated bank facilities of UMDSPPL. The rating also takes into account the undertaking provided by the SPICCPPL that it would ensure that the related debt obligations are serviced on or prior to the due date. The rating further takes into account the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement.

The revision in rating of structured debt programme follows the revision in long term rating of SPICCPPL to [ICRA]A- (pronounced ICRA A minus) from [ICRA]A (pronounced ICRA A), in line with the ratings of its parent company, Shapoorji Pallonji and Company Private Limited (SPCPL)¹. The long-term rating of SPICCPPL continues to remain on watch with developing implications.

[Rating Rationale of Shapoorji Pallonji Infrastructure Capital Company Private Limited](#)

Rating continues to remain under watch with developing implications

The ratings continue to remain under watch with developing implications in line with the ratings of corporate guarantee provider – SPICCPPL. The ratings for SPICCPPL continues to remain on watch with developing implications in line with the ratings of SPICCPPL’s parent company, SPCPL. ICRA will closely monitor the progress achieved by SPICCPPL in terms of its divestment and fundraising plans through platform based induction of various investors and equity infusion, and the progress achieved in its under-construction projects. SPICCPPL’s ability to achieve timely and meaningful progress on these endeavours remains a key rating sensitivity.

¹ Ratings on SPCPL have been revised to [ICRA]AA-&/[ICRA]A1+ from [ICRA]AA&/[ICRA]A1+& and long-term rating continues to remain under Watch with Developing Implications

Key rating drivers:

The corporate guarantee from SPICCPPL covers all payment obligations of the issuer (i.e. UMDSPPL) that may arise on the rated bank lines as per the terms of the sanction letter. The rating addresses the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement. The rating also assumes that the guarantee will be duly invoked, as per the terms of the underlying sanction letter and guarantee agreement, in case there is a default in payment by the borrower. If the guarantor revokes or discontinues the guarantee, the rating assigned will not apply.

Liquidity Position:

The corporate guarantee provider i.e. SPICCPPL has access to undrawn bank lines of Rs. 117 crore and unencumbered cash balance of Rs. 35 crore as on April 30, 2019. With external debt repayments of Rs. 106 crore due in FY2020, the near-term liquidity profile is expected to remain comfortable.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: Shapoorji Pallonji Group For arriving at the rating, ICRA has taken into account the unconditional and irrevocable corporate guarantee from SPICCPPL that would cover all the repayment obligations as per the terms of the transaction.
Consolidation / Standalone	Not Applicable since the rating is based on unconditional and irrevocable corporate guarantee from SPICCPPL

About the company:

UMDSPPL is a step-down subsidiary of SPICCPPL, which in turn is a wholly-owned subsidiary of SPCPL. UMDSPPL was incorporated in July 2008 with the objective of entering in coal mining business and manufacturing of coke and other by-products of coal, though it demerged its mining business in FY2014. It also amended its Memorandum of Association to undertake the business of generating, producing, selling, distributing and supplying electrical power using both conventional and non-conventional sources, including solar energy.

UMDSPPL operates two solar power plants with cumulative generation capacity of 25 MW in Tamil Nadu. The project was commissioned by March 2016. The company has signed Power Purchase Agreements (PPA) with TANGEDCO² for a period of 25 years for both the solar plants at a fixed tariff of Rs. 7.01/unit. The solar plants are based on polycrystalline technology with the solar modules procured from JA Solar (China). The engineering, procurement, construction(EPC) contract was awarded to Group company, Sterling & Wilson Private Limited. The total project cost of about Rs. 223 crore was funded through debt of Rs. 156 crore and equity capital (including promoter loans) of Rs. 67 crore.

² Tamil Nadu Generation And Distribution Corporation Limited

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	30.1	29.65
PAT (Rs. crore)	-3.61	-3.81
OPBDIT/OI (%)	92.51%	91.43%
RoCE (%)	7.36%	4.98%
Total Debt/TNW (times)	4.42	4.67
Total Debt/OPBDIT (times)	6.32	6.21
Interest Coverage (times)	1.49	1.51
NWC/OI (%)	39%	56%

About the guarantor:

SPICCP is a wholly-owned subsidiary of Shapoorji Pallonji and Company Private Limited. SPICCP acts as the holding company for the group's infrastructure asset ownership businesses. The SP Group's portfolio comprises projects across different verticals, namely transportation, energy, port and resources. Under the transportation vertical, the company has an operational annuity-based road project and an under-construction HAM road project. The domestic solar segment comprises operational projects aggregating to a total capacity of 298-MW and 920-MW capacity under implementation. The overseas power projects comprise of 50MW solar power project in Egypt and 225MW combined cycle power project in Bangladesh. Under the port vertical, the company is executing the port, LNG terminal and LPG terminal projects. Under resource vertical, SPICCP has acquired a mine in Oman which holds exclusive operating license to extract and sell limestone of high-grade quality which can be used by steel and cement industries and the limestone aggregates/rock can be used for building materials, breakwater, etc.

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 (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019		Date & Rating in FY2018	Date & Rating in FY2017
				June 2019	December 2018	April 2018	-	October 2016
1	Term Loan	156.00	135.08	[ICRA]A-(SO)&	[ICRA]A (SO)&	[ICRA]A (SO) (Stable)	-	[ICRA]A (SO) (Stable)
2	Cash Credit	6.00	1.06	[ICRA]A-(SO)&	[ICRA]A (SO)&	[ICRA]A (SO) (Stable)	-	[ICRA]A (SO) (Stable)

& - 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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	July 2015	11.20%	FY2031	156.00	[ICRA]A-(SO)&
-	Cash Credit	-	9.75%	-	6.00	[ICRA]A-(SO)&

& - Under rating watch with developing implications

Source: UMDSPPL

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

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Aditya Jhaver
+91 22 6169 3379
aditya.jhaver@icraindia.com

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Ashish Agarwal
+91 22 6169 3347
ashish.agarwal@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

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

info@icraindia.com

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For more information, visit 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

Website: 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

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