

SHREM INFRA INVEST PRIVATE LIMITED**(Formerly Known as Shrem Infra Structure Private Limited)****CIN: U65100MH2014PTC254839**

1101, Viraj Towers, Jn of Andheri Kurla Road, W E Highway, Andheri East, Mumbai – 400093, India

Tel: +91 22 4228 5500/ 5555 Email: shremgroup@shrem.in Web: www.shrem.in

**Date: 12th March, 2024**

To,
National Stock Exchange of India Limited
Listing Compliance Department
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051.

Subject: Revised Intimation of Revision in Ratings under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

Ref: Scrip Code: SIPL24, SIPL24A, SIPL25, SIPL 28 and SIPL28A

Dear Sir/Madam,

In continuation of our earlier intimation submitted to the NSE on 11th March 2024 regarding the credit rating, we hereby submit a revised intimation. It has come to our attention that there was an inadvertent mention of rating details in the previous submission.

With reference to the provisions of Regulation 55 and other applicable provisions as may be applicable from time to time of the SEBI (LODR) Regulation, 2015, this is to inform that rating agencies India Ratings & Research Limited, ICRA Limited, Care Edge Limited and, reviewed the credit rating assigned to Non-Convertible Debentures of the Company. Details of which are as mentioned below:

India Ratings & Research:

Sr. No.	ISIN	Name of the Credit Rating Agency	Exiting Credit Rating	Revised Credit Rating	Outlook	Rating Action	Date of Revised Rating
1.	INE391V07026	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024
2.	INE391V07042	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024
3.	*INE391V07067	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024
4.	*INE391V07075	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024
5.	INE391V07109	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024

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6.	INE391V07125	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024
7.	INE391V07133	India Ratings & Research	AA	AA/ Rating Watch with Negative Implications	Stable	Placed on Rating Watch with Negative Implications	01 st March, 2024

ICRA Limited

Sr. No	ISIN	Name of the Credit Rating Agency	Exiting Credit Rating	Revised Credit Rating	Outlook	Rating Action	Date of Revised Rating
1.	INE391V07026	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024
2.	INE391V07042	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024
3.	*INE391V07067	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024
4.	*INE391V07075	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024
5.	INE391V07109	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024
6.	INE391V07125	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024
7.	INE391V07133	ICRA Limited	AA	AA-	Stable	Downgrade	13 th February, 2024

CARE Edge Ratings

Sr. No	ISIN	Name of the Credit Rating Agency	Exiting Credit Rating	Revised Credit Rating	Outlook	Rating Action	Date of Revised Rating
1.	INE391V07026	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024
2.	INE391V07042	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024
3.	*INE391V07067	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024
4.	*INE391V07075	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024
5.	INE391V07109	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024
6.	INE391V07125	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024
7.	INE391V07133	CARE Edge Ratings	AA	AA-	Stable	Downgrade	20 th February, 2024

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* INE391V07067 and INE391V07075 are fully prepaid on 29th February 2024.

Kindly take the above on record and acknowledge the receipt.

Thanking you,
Yours faithfully

FOR SHREM INFRA INVEST PRIVATE LIMITED

NITAN CHHATWAL
DIRECTOR
DIN: 00115575

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Ref: Scrip Code: SIPL24, SIPL24A, SIPL25, SIPL 28 and SIPL28A

Dear Sir/Madam,

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With reference to the provisions of Regulation 55 and other applicable provisions as may be applicable from time to time of the SEBI (LODR) Regulation, 2015, this is to inform that rating agencies India Ratings & Research Limited, ICRA Limited, Care Edge Limited and, reviewed the credit rating assigned to Non-Convertible Debentures of the Company. Details of which are as mentioned below:

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FOR SHREM INFRA INVEST PRIVATE LIMITED



NITAN CHHATWAL
DIRECTOR
DIN: 00115575



India Ratings Places Shrem Infra Invest's NCDs on Rating Watch with Negative Implications

Mar 01, 2024 | Others

India Ratings and Research (Ind-Ra) has placed Shrem Infra Invest Private Limited's (SIPL, formerly known as Shrem Infra Structure Private Limited) debt instruments' ratings on Rating Watch with Negative Implications, as follows:

Details of Instruments

Instrument Type	Date of issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/ Rating Watch	Rating Action
Non-convertible debentures (NCDs)*	-	-	-	INR2,875 (Reduced from 4,150)	IND AA/Rating Watch with Negative Implications	Placed on Rating Watch with Negative Implications
Proposed NCDs^	-	-	-	INR950	Provisional IND AA/Rating Watch with Negative Implications	Placed on Rating Watch with Negative Implications
Principal protected market linked debentures (PP-MLDs)*#	-	-	-	INR2,740	IND PP-MLD AA/Rating Watch with Negative Implications	Placed on Rating Watch with Negative Implications

*Details in Annexure I

PP-MLDs have been fully prepaid on 29 February 2024 as per the disclosure on NSE website and withdrawal request is awaited from the issuer

^The rating is provisional pending execution of documents as detailed in the Annexure. The final rating, upon receipt of the executed documents consistent with the draft documents, shall be assigned within 90 days from the date of issuance of the instrument. The provisional rating may be extended by another 90 days, subject to Ind-Ra's policy, if the execution of the documents is pending. In the absence of the documentation considered while assigning the provisional rating, the agency would not have assigned any rating to the proposed instrument.

Analytical Approach

The ratings reflect the creditworthiness of Shrem InvIT ('IND AAA'/Stable) and the credit quality of underlying assets in the infrastructure investment trust (InvIT). The ratings also draw strength from the stability of the underlying assets in the InvIT, including a stable stream of cash flows from the proposed 10 new hybrid annuity model (HAM) projects awarded by National Highway Authority of India (NHAI, 'IND AAA'/Stable); the InvIT has fully acquired nine projects and is likely to acquire 51% ownership in another one special purpose vehicle (SPV), by 4QFY24. However, the equity nature of the units

and the limited diversification of the revenue stream for SIPL constrain the ratings. The net cash distributable to unitholders will rank lower in the waterfall arrangement of the InvIT, considering the equity nature of units. The cash flows of InvIT will be first used to service its debt, and the surplus shall be distributed to the unitholders as per the waterfall mechanism, which shall be utilised to meet the debt servicing of SIPL. The strong coverage metrics of InvIT lends support to the ratings.

Detailed Rationale of the Rating Action

As per the debenture trust deeds (DTD) of the NCDs worth INR2,300 million (outstanding INR2,112.5 million), SIPL is required to maintain a minimum credit rating of 'AA'/Stable, and accordingly, the debenture trustee has intimated Ind-Ra regarding the downgrade in the rating of SIPL by another rating agency. The DTD allows a cure period of 30 days to the company, and as per the DTD, failure of maintaining the minimum credit rating provides the debenture holders with the right to exercise a mandatory redemption. The debenture trustee and management have stated that a meeting of debenture holders is scheduled to be held on 7 March 2024. The management has represented that the redemption right is not likely to be exercised by the debenture holders.

SIPL has recently been awarded an under-construction project by Karnataka Roads Development Corporation Limited under joint venture structure with Bharat Vanijya Eastern Private Limited (BVEPL). The total project cost of around INR13,500 million is likely to be funded by debt (48%), equity (22%) and grants (30%). SIPL is likely to hold 39% stake in the said project SPV, which will require an equity commitment of INR1,170 million from SIPL in the next three years. The project construction will be undertaken by BVEPL. As per the management, the sponsor undertaking or guarantee will be extended by a Shrem group entity that shall have no bearing directly or indirectly on SIPL. Also, SIPL's management has confirmed that it will not take any construction-related risk that shall increase its debt / contractual obligations or indicate any change in business model to move into the developer space. Ind-Ra has considered the said confirmation, and any deviation from the above understanding shall be credit negative.

Shrem InvIT has been distributing the surplus on a quarterly basis since November 2021. For 1QFY24 and 2QFY24, the distribution by the InvIT was lower than Ind-Ra's base case estimates by about INR3,070 million. This was on account of retention of surplus amount by the InvIT for the purpose of discharging the consideration for the acquisition of 10 new assets, creating an additional debt service reserve, and providing temporary advances to the SPVs for meeting their operation and maintenance (O&M) requirements. The distribution in 3QFY24 was largely in line with Ind-Ra's estimates, barring the amount of INR1,607.1 million set aside by the InvIT for future acquisitions and contingencies. In 9MFY24, the actual distribution was lower than Ind-Ra's estimates largely on account of the amount set aside for the past and future acquisitions and contingencies by InvIT. The agency takes into account the net distribution cash flow format guided in the recent Securities and Exchange Board of India's circular, which shall be applicable from 1 April 2024, and accordingly, Ind-Ra believes that retention of surplus by InvIT in the future will be within the permissible limit of 10%.

SIPL's management has informed the agency about the establishment of an escrow mechanism within the Shrem group entities to provide more transparency on cash movements within the group.

Ind-Ra will be monitoring the implications of the abovementioned developments that are likely to take place in next one-two months, and hence, the rating has been placed on Rating Watch with Negative Implications. The Rating Watch will be resolved once the agency receives clarity on the implication of the mandatory redemption clause triggered under the DTD, the establishment of the escrow mechanism, which would increase the transparency of fund utilisation between Shrem group entities, and any additional debt commitment arising from the recently awarded under-construction project to SIPL and BVEPL under the joint venture structure.

List of Key Rating Drivers

Strengths

Stable Underlying Cash Flow

Acquisition of New SPVs by Shrem InvIT

Weakness

Moderate Debt Structure

Single Income Stream with Limited Track Record

Detailed Description of Key Rating Drivers

Stable Underlying Cash Flow: The InvIT generates stable revenue from its pool of projects, which shall annually receive 64 annuity payments post the acquisition of all new SPVs until the end of the concession period of each project from different counterparties, and the toll collections in its two projects. The addition of 10 NHAI-backed HAM projects, which have already achieved provisional or final commercial operations date, mitigates any construction risk and adds strength to the InvIT's cash flows. A significant portion of the revenue originates from the HAM-based assets with the NHAI and the Ministry of Road Transport and Highway (MoRTH) as the counterparties. The InvIT's cash flows show considerable resilience to stress cases, reflecting ample cushion for distribution to the unitholders. The regulated framework of the InvIT mandates at least 90% of the net distributable cash flow to be distributed to investors. Ind-Ra takes comfort from the sufficient operational track record of the combined portfolio and the timely receipt of annuities from NHAI and the MoRTH, and the distributions made by the InvIT. That being said, the equity nature of the instruments constrains the ratings.

Strong Sponsor Profile: The Shrem group entered into the infrastructure space through the acquisition of 24 road projects from Dilip Buildcon Limited (DBL, 'IND A/ Positive ') in 2017. The group had also invested in Nanavati Hospital and developed two hotels in Goa, which were subsequently divested. It is developing a luxury hotel near Chhatrapati Shivaji International Airport, Terminal 2, Mumbai, under the Fairmont Brand and in September 2020 had monetised its investment in Route Mobiles Limited just before the initial public offering of the latter. Two of the Shrem group entities, which are the associates of SIPL, have been mentioned in the Grant Thornton report dated 5 December 2020 in connection with Dewan Housing Finance Limited Corporation's Insolvency and Bankruptcy Board of India proceedings. SIPL's management has confirmed that there has been no irregularity by any of the Shrem group entities with regard to the transaction mentioned in the Grant Thornton report. As per the information received by the agency regarding the settlement deed signed between Piramal Capital & Housing Finance Limited (previously DHFL) and SIPL on 7 November 2023, the company has fully repaid the amount received by the promoter as an NCD holder. Any unforeseen liability stemming from this legal issue remains a key monitorable for Ind-Ra.

Acquisition of New SPVs by Shrem InvIT: For completing the acquisition of all new SPVs by Shrem InvIT, the revised total equity value is INR29.84 billion, including the value of unsecured loans infused by DBL and its affiliates. As on 29 February 2024, Shrem InvIT had acquired 100% ownership of nine SPVs and 49% ownership of one SPV in accordance with the relevant NHAI regulations. SIPL's management expects the remaining 51% ownership of the SPV to be acquired by 4QFY24.

Shrem InvIT has discharged the consideration till date by paying cash of about INR3,983 million from its internal accruals and issuance of fresh units, equivalent to INR17,066.1 million, through a preferential allotment to DBL and its affiliates and Shrem Enterprises Private Limited (SEPL, debt rated 'IND AA/Stable'; subsidiary of SIPL). Fresh units of the InvIT allotted to SEPL were against the unsecured loans of INR8,380.7 million extended by SEPL to the new SPVs acquired by the InvIT from DBL and its affiliates. Against the said unsecured loans, SEPL has been issued fresh units of the InvIT of equivalent value at a weighted average net asset value of INR102.29 per unit. Furthermore, the InvIT has drawdown INR8385.1 million from the sanctioned debt. The management has indicated that the balance consideration of about INR440 million shall be funded from internal accruals and by availing undrawn portion of already sanctioned debt by the InvIT.

Upon consummation of the entire acquisition process of 10 new SPVs by Shrem InvIT, the agency had previously expected SIPL and/or its group entities to maintain outstanding external debt of about INR6,500 million and total outstanding debt of about INR8,100 million. With a significant part of the acquisition having been completed, SIPL and its group entities had an external debt of INR5,699.5 million (outstanding as on 1 March 2024: INR4,629 million) and the agency believes that there is no incremental debt to be availed by Shrem Group entities for the said acquisition.

With the said outstanding debt quantum, the agency believes that Shrem group will meet the permitted indebtedness as per the financing terms of SIPL, which stipulates aggregate debt to be lower than 25% of the carrying amount of the investment in form of InvIT units held by SIPL and its group entities and also lower than 40% of the carrying amount of investment in form of InvIT units held by SIPL solely.

Ind-Ra believes that the additional external debt should be accompanied with the issuance of additional Shrem InvIT units to SIPL and/or its group entities including SEPL, thereby ensuring incremental cash flows in the form of distributions from Shrem InvIT to service the obligations of additional external debt. The agency will monitor the cash flows of SIPL and/or group entities generated as a unitholder of Shrem InvIT. Any adverse impact on the cash flows of SIPL and/or group entities including SEPL along with an increase in the external debt would be a credit negative.

Moderate Debt Structure: The PP-MLDs have a maturity of 27 months (Series I – INR1,370 million) and 30 months (Series II - INR1,370 million) from the date of the allotment (10 March 2022). As on 29 February 2024, the MLDs had been fully prepaid and the MLD-reserve maintained by SIPL had been released.

The NCDs worth INR850 million issued in September 2021 are repayable in 14 quarterly instalments until December 2024, and a debt service reserve, equivalent to six months of debt obligations, has been created from the debt proceeds. The existing NCDs feature a put/call option that can be exercised by the debenture holders from end-December 2021 and every year thereafter with a prior written notice of 90 days for exercising the put/call option.

SIPL also issued NCDs worth INR1,200 million in May 2023, repayable in equated six instalments commencing from 15 February 2027. As per the financing terms, the company is required to create and maintain a DSR equivalent to two quarters of the interest obligations within three days from the deemed date of allotment of NCDs and enhance it to one quarter of redemption amount and coupon payment obligations within 44 months from the deemed date of allotment of NCDs. Any shortfall in the DSR is to be replenished within three days, which otherwise, will be considered as an event of default, and thereby, provide the right to invoke the securities available in accordance with the financing terms. The facilities are also secured by the units of Shrem InvIT and the NCDs are backed by a guarantee from the promoters. The debt structure also stipulates a minimum DSCR of 1.2x to be tested quarterly from 30 June 2023.

Also, NCDs worth INR500 million and INR600 million were issued in May-June 2023 with maturity of 15 May 2025 and 15 May 2028, respectively. The repayment schedule for NCDs worth INR500 million is eight quarterly instalments commencing from 15 August 2023 and for NCDs of INR600 million is six quarterly instalments commencing from 15 February 2027. As per the financing terms of both NCDs, a DSR equivalent to peak one quarter of redemption and coupon payment is being maintained by the company. Failure to maintain the same will be considered as an event of default. The debt structure also stipulates a financial covenant of a minimum DSCR of 1.2x and aggregate debt to be lower than 25% of the carrying amount of the investment in form of InvIT units held by SIPL and its group entities and also lower than 40% of the carrying amount of investment in form of InvIT units held by SIPL solely. These NCDs also feature a put/call option that can be exercised by the debenture holders from end of one year from deemed allotment date with a prior written notice of 30 days for exercising the put/call option. Healthy coverages, stable cash flow generation from Shrem InvIT and the long concession period of projects held by InvIT mitigate the refinance risk in the event that the put option is exercised.

The management has represented to raise further NCDs (proposed NCDs) worth INR950 million with maturity of 30 September 2026 and carrying fixed coupon payment of 9.75% p.a. As confirmed by management, the repayment schedule considered for proposed NCDs is six quarterly instalments commencing from 30 June 2025. The indicative financing terms are considered by the agency to be similar to NCDs raised in May-June 2023.

As per Ind-Ra's analysis, the additional external debt should be accompanied by the issuance of additional Shrem InvIT units to SIPL and its group entities, thereby ensuring incremental cash flows in the form of the distributions from Shrem InvIT to service the obligations of additional external debt. Any adverse implication of additional debt and unit-holding of SIPL or its group entities will be a credit negative.

The ratings factor in SIPL's external debt post the prepayment of MLDs of about INR3,762.5 million (earlier

INR6,180.0 million) to be serviced between FY25 and 30 June 2028, which include the existing NCDs and proposed NCDs. Furthermore, SEPL has availed a debt of INR1,750 million, of which INR750 million would be maturing in April 2024. SIPL/SEPL has earmarked the funds from the available liquidity for meeting the debt obligation scheduled in April 2024. For the remaining exposure, the repayment is scheduled between FY25 and FY27 and the management has confirmed that it will be serviced from the cash inflows in form of distributions from the InvIT.

The management confirmed that the aggregate debt of SIPL and its group entities will be within INR9,500 million and that no further debt will be raised by SIPL beyond the outstanding debt unless the debt is being raised for subscribing additional units of InvIT upon the acquisition of new assets. Ind-Ra will continue to evaluate the impact of the proposed acquisition on the cashflows of InvIT and SIPL once the transaction is completed. Any deviation from this will be a credit negative.

Single Income Stream with Limited Track Record: SIPL depends on the cash flow distribution from the InvIT to meet its debt obligations. The InvIT has a track record of distributing cash to its unitholders with 10 distributions made between November 2021 and February 2024 for the quarters ended from September 2021 to December 2023. Although the underlying asset quality is strong, the absence of a diversified revenue stream exposes the company to single revenue concentration risk.

Liquidity

LIQUIDITY INDICATOR: Adequate

SIPL maintains a debt service reserve (DSR) of INR312.2 million. Of this, INR150 million is DSR equivalent to two quarters of debt servicing as required under the financing terms of earlier issued NCDs worth INR850 million (outstanding INR312.5 million), and INR162.2 million is equivalent to peak one quarter of debt servicing under the debt terms for the recently issued NCDs worth INR2,300 million (outstanding INR2,112.5 million). The PP-MLD was prepaid by SIPL on 29 February 2024, and hence, the PP-MLD reserve created earlier has been released by the company. In addition to the abovementioned DSR, SIPL has free liquidity of about INR250 million.

SIPL has been receiving quarterly distributions from Shrem InvIT in lieu of its unit holding. Historically, the distributions from InvIT are received by SIPL within 30-45 days from the quarter end date. As per Ind-Ra's base case estimates, the actual distributions received by SIPL were lower in 1QFY24 and 2QFY24. This was on account of the retention of the surplus undertaken by the InvIT for past acquisitions, the creation of additional DSR by the InvIT, and temporary advances provided to the SPVs for their O&M requirements. While the distribution in 3QFY24 was largely in line with Ind-Ra's estimates, the InvIT had set aside INR1,607.1 million for future acquisitions and contingency. Hence, in 9MFY24, the actual distribution was lower than Ind-Ra's estimates largely due to the amount set aside for the past and future acquisitions and contingency by the InvIT. The agency takes into account the net distribution cash flow format guided in the recent Securities and Exchange Board of India's circular, which shall be applicable from 1 April 2024, and accordingly, Ind-Ra believes that retention of surplus by the InvIT in the future will be within the permissible limit of 10%.

With respect to breach of maintenance of minimum credit rating by SIPL from two rating agencies as per the DTD, the debenture holders meeting is scheduled to be conducted on 7 March 2024. The management believes that the debenture holders will not exercise their mandatory redemption rights, and hence, the requirement of accelerated payment obligation will not fall on SIPL. Furthermore, the management has confirmed that they are engaged in discussion to avail additional financing lines by another Shrem group entity, which will enable them to manage the liquidity requirement in case of the said accelerated payment obligation. The cure period available to SIPL is 30 days from the date of the breach, as per the DTD's terms. Accordingly, the agency has placed the current rating on Rating Watch with Negative Implications. Ind-Ra will monitor the developments from the debenture holder's meeting and evaluate the liquidity gap in case the mandatory repayment rights are exercised by the debenture holders of SIPL.

The agency expects SIPL and its group entities unitholding in Shrem InvIT to remain between 66% and 68% in FY24, and believes any changes in the unitholding pattern of InvIT will be consequent to any further acquisitions. As

per Ind-Ra's base case, SIPL's debt service coverage ratio is close to 2.3x with an aggregate external debt of about INR3762.5 million, including the proposed additional external debt to be serviced between FY25 till 30 June 2028.

Rating Sensitivities

The Rating Watch with Negative Implications indicates that the ratings may be either affirmed or downgraded upon resolution. The Rating Watch will be resolved once the agency receives clarity on the implication of the mandatory redemption clause triggered under the DTD, the establishment of the escrow mechanism, which would increase the transparency of fund utilisation between Shrem group entities, and any additional debt commitment arising from the recently awarded under-construction project to SIPL and BVEPL under the joint venture structure.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on AIL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

The sponsor, SIPL, floated an InvIT called Shrem InvIT in September 2021 and hived off 24 operational SPVs through three intermediate holding companies – Shrem Infraventure, Shrem Roadways and Shrem Tollway under the trust. The InvIT has been formed under the Indian Trust Act, 1882 and an approval has been received from the Securities and Exchange Board of India for the InvIT.

Another nine projects have been 100% acquired from DBL, with the balance 51% stake in the remaining one SPV likely to be acquired by 4QFY24. Post completion of the acquisition, Shrem InvIT will have a diversified portfolio of 34 projects, including 15 NHAI and one MoRTH-awarded HAM projects, 10 state annuity plus toll projects, six state HAM projects and two toll projects, including one NHAI awarded toll project.

KEY FINANCIAL INDICATORS

Particulars (INR million)	FY23	FY22
Revenue	1,403.6	1,020.1
Total income	16,300.1	20,181.9
Total expenses	548.2	131.3
Profit after tax	931.3	19,927.4

Source: SIPL, Ind-Ra

Status of Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

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APPLICABLE CRITERIA

Rating Criteria for Infrastructure and Project Finance

Evaluating Corporate Governance

Policy for Placing Ratings on Rating Watch

Policy on Provisional Ratings

The Rating Process

Rating History

Instrument Type	Current Rating/Rating Watch			14 August 2023	11 May 2023	24 March 2023
	Rating Type	Size of Issue (million)	Rating			
NCDs	Long-term	INR3,825	IND AA/Rating Watch with Negative Implications	IND AA/Stable	IND AA/Stable	IND AA/Stable
PP-MLDs	Long-term	INR2,740	IND PP-MLD AA/Rating Watch with Negative Implications	IND PP-MLD AA/Stable	IND PP-MLD AA/Stable	IND PP-MLD AA/Stable

Annexure

DETAILS OF INSTRUMENTS

NCDs

ISIN	Date of Issue	Coupon Rate (%)	Maturity date	Size of Issue (million)	Rating
INE391V07026	14 September 2021	14.25	20 December 2024	INR312.5	IND AA/Rating Watch
INE391V07034	25 February 2022	8.39	31 August 2023	INR600	WD (p
INE391V07042	25 February 2022	8.39	31 August 2024	INR450	IND AA/Rating Watch
INE391V07109	9 May 2023	9.75	15 May 2028	INR1,200	IND AA/Rating Watch
INE391V07125	18 May 2023	9.75	15 May 2025	INR312.5	IND AA/Rating Watch
INE391V07133	15 June 2023	9.75	15 May 2028	INR600	IND AA/Rating Watch

Total	-	-	-	INR2,875	
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PP-MLDs

ISIN	Date of Issue	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating
INE391V07067	10 March 2022	8.5	10 June 2024	INR1,370	IND PP-MLD AA/Rating \
INE391V07075	10 March 2022	8.5	10 September 2024	INR1,370	IND PP-MLD AA/Rating \
Total				INR2,740	

As per NSE disclosure, PP-MLDs have been fully prepaid and withdrawal request is awaited from issuer

The interest payouts to the PP-MLD holders depend on the yield of the underlying reference index (currently 7.26% Government Securities 2032). If the yield of the underlying reference index is less than or equal to 12% on the final fixing date, the yield on the PP-MLDs will be 8.50% on an extended internal rate of return (XIRR) basis. Else, if the yield of the underlying reference index is greater than 12% but less than or equal to 18% on the final fixing date, the yield on the PP-MLDs will be 8.40% on the XIRR basis. Furthermore, if the yield on the underlying reference index increases beyond 18%, the PP-MLDs will yield 0%. The rated PP-MLDs are yielding 8.50% on the XIRR basis.

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
NCDs	Low
PP-MLDs	High

For details on the complexity level of the instruments, please visit www.indiaratings.co.in/complexity-indicators.

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February 13, 2024

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.

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

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.

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. Nitan 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 certain financial covenants or rating linked triggers. 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						Date & Rating in FY2021	
		Amount Rated (Rs. crore)	Amount Outstanding as on December 31, 2023 (Rs. crore)	Date & Rating in		Date & Rating in FY2023		Date & Rating in FY2022					
				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	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)	[ICRA]AA (Stable)	-
2	NCD	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)	[ICRA]AA (Stable)	-	-
3	MLD	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)	PP-MLD [ICRA]AA (Stable)	-	-	-
4	NCD	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)	[ICRA]AA (Stable)	-
5	NCD	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)	[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	Moderately 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 2021	14.25%	December 2024	31.25	[ICRA]AA- (Stable)
INE391V07042	NCD	February 2022	8.39%	August 2024	60.00	[ICRA]AA- (Stable)
INE391V07067	MLD	March 2022	NA	June 2024	137.00	PP-MLD [ICRA]AA- (Stable)
INE391V07075	MLD	March 2022	NA	September 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

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Shrem Infra Invest Private Limited

February 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Market-linked debentures	274.00	CARE PP-MLD AA-; Stable	Revised from CARE PP-MLD AA; Stable
Non-Convertible Debentures	480.00	CARE AA-; Stable	Revised from CARE AA; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Shrem Infra Invest Private Limited (SI IPL) is the sponsor of Shrem Invit (InvIT). In order to arrive at ratings of SI IPL, CARE Ratings Limited (CARE Ratings) has adopted a consolidated approach of SI IPL along with its wholly owned subsidiary Shrem Enterprises Private Limited (SEPL), which together held 53.91% stake in InvIT as on December 31, 2023. The revision in long-term ratings of SI IPL takes into consideration CARE Ratings expectations of lower-than-anticipated distribution income from InvIT during FY24(E) which shall in turn moderate the coverage indicators for the current fiscal.

Earlier in May 2023, CARE Ratings was given to understand that the deal valuation and nature pertaining to proposed acquisition of 10 Hybrid Annuity Model (HAM) projects has undergone change thereby necessitating incremental debt of ₹325 crore. The aforesaid debt was proposed to be availed at SI IPL level to acquire additional InvIT units, cash flow (dividend income) of which would be available to service the rated debt. In contrast to this, the incremental debt of ₹230 crore raised by SI IPL was advanced to other group entity- Shrem Investment Private Limited (SIPL), which in turn acquired the additional InvIT units. The said transaction led to incremental debt at SI IPL level with no corresponding increase in InvIT units as envisaged. As indicated by the management, the cash inflow from such acquired units shall be passed on by SIPL to SI IPL. However, as per CARE Ratings, in absence of escrow-backed mechanism for SI IPL's rated debt facility, high degree of cash flow fungibility within the Shrem group combined with deviation from earlier management stance of acquiring additional units under SI IPL accentuates the financial risk. Nonetheless, CARE Ratings notes SI IPL's intent to pre-pay the entire market-linked debentures (MLDs), which shall reduce the external indebtedness by FY24-end. Management of Shrem group has also articulated to establish escrow mechanism with pooling of cash flows from various group entities.

The lower cash inflow is on account of retention of around ₹350 crore at InvIT level during 9MFY24 (refers to the period from April 01 to December 31). As indicated by the management, of the retained amount of ₹350 crore, ₹200 crore has been paid to Dilip Buildcon Limited (DBL) towards the on-going acquisition of assets which initially was expected to be funded through the incremental term debt raised at InvIT level while balance have been parked for contingency and for future acquisition of assets.

Ratings continue to derive strength from stable cashflows from underlying assets of InvIT leading to comfortable debt coverage indicators of InvIT and SI IPL's track record of receipt of ten quarterly distributions from InvIT. Ratings take cognisance of the completion of ongoing acquisition of ten new assets from Dilip Buildcon Limited (DBL) wherein nine projects have been completely acquired by InvIT and one project has been partly acquired to the tune of 49%. Cash pooling of all special purpose vehicles (SPVs) including newly acquired (SPVs) is available for debt servicing of InvIT and for carrying out routine as well as major maintenance expenses of SPVs. Furthermore, revised regulations on InvIT also provides greater clarity on net distributable cash flows and thus better cashflow visibility to SI IPL.

The strengths of the ratings are tempered by limited revenue diversification with entire dependency on distribution from InvIT, moderate leverage and limited track record of the promoters in the infrastructure business. No major maintenance reserve is being created or maintained at SPV level. InvIT is entirely dependent on DBL for carrying out the maintenance of SPVs, however adequate operation and maintenance (O&M) as well as major maintenance (MM) assumptions in line with other rated HAM peers reduces the risk to an extent. Besides, proposed creation of major maintenance reserve for 10 new assets also provides liquidity cushion to some extent.

CARE Ratings takes the cognisance of SI IPL being forayed into developer space by securing HAM project in a joint venture with another developer (i.e. Bharat Vanijya Eastern Private Limited (BVEPL)) and the project is awarded by Karnataka Roads Development Corporation Ltd (KRDCL; GoK entity). As indicated by management, Shrem group along with SI IPL will have approx. 39% stake in the project SPV and shall not extend any contractual commitment except equity commitment of around

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rs.117 crore over next 3 years. EPC work will be done by BVEPL on fixed price contract. Nevertheless, it exposes SIIPL to inherent risk related to change in business model from financial investor to developer with limited prior experience. Any further increase in under construction portfolio or extension of more than expected contractual obligations shall be key rating sensitivity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly higher-than-envisaged distribution income from InvIT on sustained basis

Negative factors

- Weakening in the credit profile of InvIT
- Lower-than-envisaged distribution from InvIT thus shrinking its liquidity and debt coverage indicators
- Any material increase in external debt of SIIPL at consolidated level
- Non creation of reserves for debt servicing as per financing terms
- Any unforeseen liability or impact on the Shrem group w.r.t. past litigations
- Any further increase in under construction portfolio or extension of more than expected contractual obligations

Analytical approach: Consolidated- factoring its wholly owned subsidiary Shrem Enterprises Private Limited (SEPL). The credit profile of SIIPL also factors in the combined business and financial risk profile of 34 underlying assets of InvIT as subordinated cash flows from InvIT in the form of net distributable cash flows shall be available for debt servicing of SIIPL. The list of entities consolidated is annexed as Annexure 6.

Outlook: Stable

The Stable outlook is on account of expectation of regular dividend income from InvIT leading to adequate liquidity and debt coverage indicators.

Detailed description of the key rating drivers:

Key strengths

Strong cashflow from InvIT owing to diversified portfolio of underlying SPVs

Shrem InvIT had acquired portfolio of 34 operational assets from DBL including ten assets which were acquired subsequently and generates stable revenue from its pool of projects. Of the slated ten assets, nine were acquired completely while one asset is acquired to the tune of 49%. The portfolio composition of the InvIT consists of 15 National Highway Authority of India (NHAI; rated CARE AAA; Stable) HAM projects, one Ministry of Road Transport and Highways (MoRTH) HAM project, one NHAI toll project, 10 state annuity plus toll projects, six state annuity projects and one state toll project. InvIT has a track record of timely receipt of annuities from both NHAI as well as State Governments with minor delays seen in the past. SIIPL along with SEPL is the largest unitholder of InvIT with 53.91% stake as on December 31, 2023.

Comfortable leverage and strong debt coverage indicators at InvIT level

InvIT's consolidated cash flow has a robust cover, with comfortable debt coverage indicators. Features such as defined cash flow escrow waterfall mechanism as well as creation and maintenance of debt service reserve account (DSRA) and provision of cash trap in case of fall in debt service coverage ratio (DSCR) below 1.25x also provides comfort. Towards the acquisition of 34 projects, InvIT had aggregate outstanding term loan of around ₹6,700 crore as on November 30, 2023. Due to change in valuation of deal for acquisition of ten new assets due to change in bank rate as well as change in the cash component of deal for 10 projects, incremental debt of ₹1,000 crore was proposed to be availed at InvIT level against which debt to the tune of ₹860 crore is availed and balance funded by internal accruals.

Nevertheless, factoring in the incremental debt, debt by enterprise value for all 34 assets is expected to remain slightly above 50%. As indicated by management, the InvIT is evaluating new assets for further acquisition. Hence, any debt-funded acquisition by InvIT, leading to increase in the leverage of the InvIT will be a key rating monitorable.

Established track record of receipt of distribution income albeit lower than envisaged in SIIPL

Operational nature of projects of InvIT coupled with cash pooling of underlying SPVs leads to healthy cash flows at InvIT level. As per the regulatory requirements, at least 90% of the net distributable cashflows is to be distributed to unit holders of InvIT. Accordingly, SIIPL has track record of receipt of ten distributions made between November 2021 to January 2024.

However, due to retention of ₹350 crore at InvIT level during 9MFY24, net distributable cashflow and consequently cash inflow to SIIPL has moderated. It is expected to remain lower than earlier estimates for the year ended March 2024. As indicated by the management, of the retained amount of ₹350 crore, ₹200 crore has been paid to Dilip Buildcon Limited (DBL) towards the on-going acquisition of assets which initially was expected to be funded through the incremental term debt raised at InvIT level while balance has been retained for contingency including towards future acquisition of assets, if any.

Earlier in May 2023, CARE Ratings was given to understand that the deal valuation pertaining to proposed acquisition of 10 HAM projects has undergone change thereby necessitating incremental debt of ₹325 crore. The aforesaid debt was proposed to be availed at SIIPL level to acquire additional InvIT units, cash flow (dividend income) of which would be available to service the rated debt.

In contrast to this, the incremental debt of ₹230 crore raised by SIIPL was advanced to other group entity- Shrem Investment Private Limited (SIPL), which in turn acquired the additional InvIT units. The said transaction led to incremental debt at SIIPL level with no corresponding increase in InvIT units as envisaged. As indicated by the management, the cash inflow from such acquired units shall be passed on by SIPL to SIIPL. However, as per CARE Ratings, in absence of escrow-backed mechanism for SIIPL's rated debt facility, high degree of cash flow fungibility within the Shrem group combined with deviation from earlier management stance of acquiring additional units under SIIPL accentuates the financial risk. Nonetheless, CARE Ratings notes SIIPL's intent to pre-pay the entire MLDs, which shall reduce the external indebtedness by FY24-end. Going forward, any further deterioration in cash inflow from InvIT leading to moderation in the debt coverage indicators from current level is the key rating sensitivity.

Key weaknesses

Limited revenue diversification

SIIPL is entirely dependent on distribution income from InvIT. Hence, any change in the frequency of distribution by Shrem InvIT or lower-than-envisaged distribution shall impact the company's debt coverage indicators. Although track record of distribution is established with receipt of 10 distributions till date, single revenue source exposes it to concentration risk.

Dependency on single O&M contractor as well as assets from single developer

DBL is the O&M contractor (both routine and periodic) for all the 34 projects during the balance concession period. There is an arrangement wherein the toll revenue of 11 state SPVs (10 toll plus annuity, one toll) would be passed on to DBL for carrying out O&M activities (both routine and periodic) for 14 state road SPVs during the balance concession period. For the other 10 SPVs (three state annuity, six NHAI HAM and one MORTH HAM), there is an annual fixed-price contract with DBL for taking up routine and major maintenance activities for the entire concession period. DBL has also been appointed as the O&M contractor for the new 10 HAM assets with a fixed-price contract.

For existing 24 projects, no MM reserve is being maintained as those assets are built on rigid pavement. The fixed-price contract with DBL provides some cushion, however in case of any moderation in the financial risk profile of DBL, it exposes InvIT to the risk of inferior quality maintenance. As indicated by the management, payment to DBL is released after successful receipt of annuity payment. Adequate O&M and MM assumptions are in line with other CARE Ratings' rated HAM peers which also reduces the risk to an extent. Management has indicated that built-in MM costs for the future years provides cushion and sufficiency to meet required O&M and MM. Outstanding defect liability period (DLP) deposit (for the six existing HAM projects) and O&M Deposit (under 14 State projects) of ₹216 crore as on March 31, 2023, mitigates the O&M contractor risk to an extent. Any annuity deductions from the authorities on account of O&M deficiencies will be adjusted in the O&M payments to DBL. For the units given to DBL against 10 new projects, units equivalent to 15% of the deal value shall have non disposal undertaking (NDU) till the life of concession where in DBL shall not be allowed to sell those units.

Moderate leverage

SIIPL has an outstanding debt of ₹763 crore as on January 31, 2024 on consolidated basis including incremental debt of ₹105 crore being availed by SEPL. In addition to that, the same has been utilised towards purchasing SIIPL's MLD through the other Shrem group entities. As indicated by management, of the total MLDs of ₹274 crore, MLDs to the tune of ₹253 crore is being bought out by the Shrem group companies from existing investor and the entire MLDs will be redeemed by March 2024.

With lower-than-envisaged distributions from InvIT coupled with part transfer of InvIT units to the other Shrem group entity instead of SIIPL, the debt coverage indicators shall be moderated in FY24. However, on an overall basis, the coverage metrics are expected to remain comfortable. Yet, any further incremental increase in consolidated debt levels of SIIPL impacting the coverage metrics constitute as a key ratings sensitivity.

Ratings also note pledge creation of upto 87% of the outstanding units of SIIPL towards outstanding debt as well as for security purpose necessary to maintain security cover of 2.25x of the aforesaid debt raised. As per the debt financing terms, consolidated external debt shall not exceed 25% of the value of units held is viewed as credit positive.

Limited track record of sponsor in the infrastructure

The Shrem group has a limited experience of six years in infrastructure segment. The Shrem group has investments across the infrastructure, real estate, telecom, healthcare and hospitality sectors. It had diversified real estate investment holdings across Mumbai, Pune, Goa, Bangalore and the National Capital Region. The group is currently constructing a Fairmont Brand Hotel, the largest hotel in Mumbai in partnership with Accor Hotels, a France-based leading hospitality company. Two of the Shrem group entities, which are the associates of SIIPL, have been mentioned in the Grant Thornton report dated December 5, 2020 in connection with Dewan Housing Finance Limited Corporation's Insolvency and Bankruptcy Board of India proceedings. As per settlement deed dated November 07, 2023 signed between Piramal Capital & Housing Finance Limited (PCHFL) (previously DHFL) and the Shrem group entities, the group entities have settled the outstanding dues. SIIPL's management has confirmed that there has been no irregularity by any of the Shrem group entities with regard to the transaction. Any adverse outcome of the above litigation is one of the key rating sensitivities.

Liquidity: Adequate

SIIPL's liquidity is adequate against its debt obligations which is expected to be comfortably met through its cash flows from operations marked by free cash and bank of ₹135 crore. The liquidity is anticipated to be supported by timely distribution expected from InvIT. As articulated by management, it will retire the MLD (including MLDs bought out by group company) before March 2023 and hence MLD reserve creation shall not be required which shall support the liquidity. SIIPL is required to maintain a DSRA under the financing terms of NCDs of which SIIPL has already maintained DSRA to the tune of ₹38 crore as on January 31, 2024 over and above free cash and balance.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Market Linked Notes](#)

[Rating Outlook and Credit Watch](#)

[Hybrid Annuity Model based road projects](#)

[Infrastructure Investment Trusts \(InvITs\)](#)

[Toll Road Projects](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport infrastructure	Road Assets–Toll, Annuity, Hybrid-Annuity

SIIPL is engaged in business of infrastructure development and is the sponsor of "Shrem InvIT" acquired from DBL. The InvIT has been formed under the Indian Trust Act, 1882 and an approval has been received from the SEBI for the InvIT. The InvIT has recently completed acquisition of undergoing 10 assets from DBL wherein nine projects are completely acquired while in one project, stake of 49% has been acquired. Balance acquisition stake in one project is likely to be completed by FY25. Thereby, the portfolio of Shrem InvIT is increased to 34 assets.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	152.01	145.39	198.77
PBILDT	148.08	135.84	188.78
PAT	1,992.74	97.30	129.07
Overall gearing (times)	0.28	0.17	NA
Interest coverage (times)	16.25	3.00	3.97

A: Audited UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Please refer to Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
MLD	INE391V07067	10-Mar-2022	G-sec linked	10-Jun-2024	137.00	CARE PP-MLD AA-; Stable
MLD	INE391V07075	10-Mar-2022	G-sec linked	10-Sep-2024	137.00	CARE PP-MLD AA-; Stable
NCD	INE391V07026	14-Sep-2021	14.25	20-Dec-2024	50.00	CARE AA-; Stable
NCD	INE391V07034, INE391V07042	25-Feb-2022	8.39	31-Aug-2024	105.00	CARE AA-; Stable
NCD	INE391V07109	09-May-2023	9.75	15-May-2028	120.00	CARE AA-; Stable
NCD	INE391V07133	15-Jun-2023	9.75	15-May-2028	60.00	CARE AA-; Stable
NCD	INE391V07125	18-May-2023	9.75	15-May-2025	50.00	CARE AA-; Stable
Proposed NCD	-	Proposed	-	Proposed	95.00	CARE AA-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non Convertible Debentures	LT*	480.00	CARE AA-; Stable	1)CARE AA; Stable (19-May-23)	-	-	-
2	Debentures-Market Linked Debentures	LT	274.00	CARE PP-MLD AA-; Stable	1)CARE PP-MLD AA; Stable (19-May-23)	-	-	-

*Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Highly Complex
2	Debentures-Non Convertible Debentures	Complex

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Shrem Enterprises Private Limited	100%	Wholly owned subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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