

## Press Release

### Pan India Network Infravest Limited

April 07, 2017

### Rating Assigned

<b>Total Instruments Rated*</b>	Rs. 960.00 Cr
<b>Long Term Rating</b>	SMERA BBB/Stable

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long-term rating of **‘SMERA BBB’ (read as SMERA triple B)** on the Rs. 960.00 crore bank facility of Pan India Network Infravest Limited (PINIL).

PINIL, incorporated in 2001 is a Mumbai-based Engineering, Procurement and Construction (EPC) contractor for Essel group’s hydro power, water distribution and Municipal Solid Waste (MSW) disposals projects. PINIL holds ~82 per cent stake in Essel Infraprojects Limited (EIL), a flagship company of the Essel group.

### Key Rating Drivers

#### Strengths

- **Experienced promoter group and established market position**

The promoters – the Essel group have over two decades of experience in infrastructure through EIL. The group has presence in various infrastructure segments like solar, wind, hydro power, water distribution, Municipal solid waste (MSW) management and road projects through EIL.

PINIL is strategically important for the Essel group. The company functions as the EPC aggregator for EIL’s hydro power, water distribution and Municipal Solid Waste (MSW) disposal projects. As per the group arrangement, the SPVs of EIL will bid for projects and once projects are awarded, they would subcontract all or part of the project to PINIL which in turn will subcontract to third parties. Thus, PINIL will continue to play a pivotal role in Essel group’s infrastructure initiatives.

- **Healthy order book position**

For 9MFY2016-17 (provisional), PINIL reported net sales of Rs. 175.00 cr. The company has healthy order book of Rs. 2,040.00 cr for Hydro power, water distribution and Municipal Solid Waste (MSW) disposal projects to be executed by 2019. The strong order book position provides revenue visibility for the medium term.

- **Ongoing support from group companies**

The promoter companies, Sprit Textiles Private Limited holds ~51 per cent stake while Essel EM Infra Holding Co. Limited holds ~49 per cent stake in PINIL. Apart from equity share capital, the promoters and other group companies have supported PINIL by way of preference shares and unsecured loans from time to time. The tangible net worth of PINIL stands strong at Rs. 6639.30 cr as on March 31, 2016.

Apart from infusion of funds, the promoters have also supported the borrowings of PINIL through mortgage backed guarantees given by key companies of the Essel group. The backing of the Essel group has significantly enhanced the resource raising ability of PINIL and strengthened its credit profile. Further, PINIL will derive its business from EIL. Thus, there will be continuous support operationally as well as financially.

SMERA believes that the Essel group will continue to support PINIL, as the infrastructure sector is one of the key thrust areas for the group.

### **Weaknesses**

#### **Susceptibility of operating performance to timely receipt and execution of orders**

PINIL is present in the hydro power, water distribution and Municipal Solid Waste (MSW) disposals segments. These sectors are focus areas for the government. Hence, PINIL faces significant competitive pressures from other players too. Most of these projects are awarded through competitive bidding, hence revenue and profitability are dependent on timely receipt of orders. PINIL has strong execution capabilities which are prerequisite for qualifying for the bidding process. However, it may be noted that timely execution of projects depends on extraneous factors such as receipt of approvals from the government, availability of funding and other resources. Apart from execution, delays in realisation of receivables from counterparties can prove to be challenging and impact operating cash flows of EPC contractors.

SMERA believes that PINIL will be able to mitigate most of these risks by virtue of its established position. However, the company's credit profile remains vulnerable to events like slowdown in receipt of orders or delinquencies in respect of the major receivables.

### **Analytical Approach**

SMERA has considered the standalone financial and business risk profiles of PINIL along with ongoing financial and business support of Essel group.

### **Outlook: Stable**

SMERA believes that PINIL will continue to benefit over the medium term on account of Essel group's established position in the infrastructure sector and ongoing support of promoters. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and margins while maintaining working capital cycle and liquidity position. Conversely, the outlook may be revised to Negative in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to lengthening of the working capital cycle.

### **About the Rated Entity - Key Financials**

Pan India Network Infravest Limited (PINIL) incorporated in 2001 is an unlisted public limited company. PINIL holds ~82 per cent stake in Essel Infraprojects Limited (EIL), a flagship company of the Essel group in the infrastructure sector. Till March 31, 2016, PINIL was a pure holding company. However, post March 2016, PINIL commenced EPC work for group companies. PINIL undertakes EPC contracts for Hydro power, water distribution and Municipal Solid Waste (MSW) disposals projects. As per the arrangement, the SPV's of EIL will bid for the projects and once projects are awarded, the same would be subcontracted either fully or in part to PINIL which in turn subcontracts to third parties.

For FY2015-16, PINIL registered net loss of Rs. 0.29 cr on revenue of Rs. 3.08 cr, as compared with PAT of Rs. 0.98 cr on revenue of Rs. 2.95 cr in FY2014-15. The net worth stood at Rs. 6639.30 cr as on March 31, 2016 as compared to Rs. 6337.71 cr in the previous year.

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

**Any other information:** Not Applicable

**Rating History for the last three years:** Not Applicable

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan I	N.A	N.A	September 01, 2021	510.00	SMERA BBB/Stable (Assigned)
Term Loan II	N.A	N.A	September 01, 2021	450.00	SMERA BBB/Stable (Assigned)

**Note on complexity levels of the rated instrument:**

<https://www.smera.in/criteria-complexity-levels.htm>

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## ABOUT SMERA

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