

## Press Release

### Pan India Network Infravest Limited

July 05, 2018



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 960.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

ACUITE has reaffirmed the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.960.00 crore bank facilities of Pan India Network Infravest Limited. The outlook is '**Stable**'.

Pan India Network Infravest Limited (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.

- 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.6213.63 crore as on March 31, 2017. 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. Acuité 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 which can attract various players making PINIL exposed to significant competitive pressures. 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.

Acuité believes that PINIL will be able to mitigate most of these risks by virtue of its established position and the continuous support from Essel group. 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**

Acuité has considered the standalone business and financial risk profiles of the PINIL and subsequently factored in support from the Essel Group to arrive at this rating.

### **Outlook: Stable**

Acuité 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**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	35.87	3.53	2.95
EBITDA	Rs. Cr.	8.52	(1.61)	(0.60)
PAT	Rs. Cr.	(14.05)	(2.31)	0.98
EBITDA Margin (%)		23.75	(45.76)	(20.23)
PAT Margin (%)		(39.17)	(65.46)	33.12
ROCE (%)		0.48	0.01	0.03
Total Debt/Tangible Net Worth	Times	0.34	0.20	0.27
PBDIT/Interest	Times	0.79	0.28	25.37
Total Debt/PBDIT	Times	55.40	1,153.14	965.36
Gross Current Assets (Days)	Days	7,687	1,826	1,566

### **Status of non-cooperation with previous CRA (if applicable)**

None

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

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

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
07-Apr-17	Term loans	Long Term	510.00	ACUITE BBB (Assigned)
	Term loans	Long Term	450.00	ACUITE BBB (Assigned)

### \*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 loans	Not Applicable	Not Applicable	Not Applicable	510.00	ACUITE BBB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	450.00	ACUITE BBB/Stable

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### About Acuité Ratings & Research:

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