

Feedback Infra Private Limited

November 06, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	301.62	CARE BB; Under Credit Watch with developing Implications (Double B)	Revised from CARE BBB-; Revision in credit watch from Negative Implications to Developing Implications
Long-term/Short-term Bank Facilities	301.00	CARE BB / CARE A4; Under Credit Watch with developing Implications (Double B / A Four)	Revised from CARE BBB- / CARE A3; Revision in credit watch from Negative Implications to Developing Implications
Short-term Bank Facilities	71.88	CARE A4; Under Credit Watch with developing Implications (A Four)	Revised from CARE A3; Revision in credit watch from Negative Implications to Developing Implications
Total Facilities	674.50 (Six hundred seventy four crore & fifty lakh only)		
Long-term – Compulsorily Convertible Debentures	50.00	CARE BB; Under Credit Watch with developing Implications (Double B)	Revised from CARE BBB-; Revision in credit watch from Negative Implications to Developing Implications
Long term – Non- Convertible Debentures	30.00	CARE D	Revised from CARE BBB- and removed from Under Credit watch with Negative Implications

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings are based on a consolidated view of Feedback Infra Private Limited (FIPL) and its subsidiaries and associates. FIPL has consistently extended financial support to its subsidiaries and associates by way of infusion of equity, debt, loans & advances and corporate guarantees for the external debt availed. FIPL along with its subsidiaries and associates are hereinafter collectively referred to as 'Feedback Infra Group'.

The revision in the ratings of FIPL takes into account the delay in servicing of debt obligations by the company on its Non-Convertible Debentures (NCDs). There has been reported delay in servicing of the interest obligations on NCD by the company which were due at the end of October 2020, as informed by the debenture trustee. The revision in other ratings is in line with CARE's policy on default recognition.

The ratings continues to factor in the delay in raising of equity-like instruments, fresh equity and the conversion of Rs 150 crore NCDs into equity-like instruments. The ratings are further constrained by the significant decline in the group's power distribution business, and the operational challenges faced by the company on account of the outbreak of COVID-19 which has weakened the overall business and financial risk profile. The company has applied for one-time restructuring (OTR) from all its lenders, which is in line with the RBI circular dated August 06, 2020, and the same is under consideration by the lenders. While requesting for OTR with the lenders, the company has not serviced its debt obligations due from September 2020. In line with CARE Ratings' Criteria on the 'Analytical treatment for one-time restructuring due to Covid-19 related stress', the non-payment of rated bank facilities and instruments has not been considered as a default as the OTR application was made before due date to all the lenders of the company.

The ratings, however, continue to derive comfort from the group's experienced founder-promoters and long track record in infrastructure services like advisory, construction management and engineering, and operations and maintenance of infrastructure assets and established market position of Feedback Infra Group in these domains.

The OTR application is under consideration with the lenders and the receipt of approval for invocation prior to December 31, 2020 is a key rating monitorable. The ratings continue to remain under 'Credit Watch with Developing Implications' in view of uncertainty associated with resolution plan being invoked or not. Timely invocation and implementation of the resolution plan within the regulatory timelines with favorable terms resulting in improvement in debt coverage indicators shall remain crucial and would remain a key monitorable.

Rating Sensitivities

Positive Factors

- Timely servicing of debt obligations for more than three months for the NCDs.
- Successful raising of equity aggregating Rs 250 crore in FIPL by December 31, 2020 resulting in an improved liquidity position, along with improvement in the capital structure of the company.
- Successfully raising Rs 150 crore of equity-like instrument along with replacement of Rs 150 crore NCDs with equity-like instrument leading to reduction in overall gearing below 2.0x at a consolidated level.

Negative Factors

- Rejection of OTR application or any delay in its implementation.
- Delay in raising fresh equity of Rs 250 crore beyond December 31, 2020.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in servicing of debt obligations

As informed by the debenture trustee, FIPL has delayed on the servicing of interest obligations for the outstanding non-convertible debentures. The interest payment equivalent to Rs 0.32 crore was due on October 31, 2020 which was received by the investor on November 04, 2020 as informed by the debenture trustee. Though, the company has requested the investor for immediate invocation of OTR, however the same is under consideration by the investor.

Delay in strategic fund infusion plans: Since Feedback Infra Group provides services in the infrastructure sector that typically have delayed cash realisations, its operations are significantly working capital intensive. The operations have largely been funded through short term borrowings, which have had an impact on the capital structure and debt coverage indicators of the companies. The management, with an aim to improve the capital structure, had earlier planned a capital raising exercise at FIPL and Feedback Energy Distribution Company Limited (FEDCO) levels. The company had planned to raise around Rs 300 crore in Q4FY20 (refers to the period January 01 to March 31) in the form of compulsory convertible instruments, besides raising fresh equity of around Rs 450 crore at FIPL and FEDCO level which was earlier expected to come by September 2020. However, the company has faced significant delays on both these plans on account of the operational challenges faced by the company due to the outbreak of COVID-19.

The management of FIPL is currently in discussion with a few investors for equity investment at FIPL level, and expects the deal to get finalised in the near term. It envisages an inflow of around Rs 250 crore of primary equity by Q3FY21. The earlier envisaged fund infusion in the form of compulsorily convertible instruments aggregating Rs.300 crore is still under discussion; however, there is limited clarity on the timelines for finalisation of the same. The funds raised from the above plans shall be used by FIPL to reduce debt levels, while the balance is expected to be utilized as growth capital by the company. Any further delay in these fund raising plans shall serve to queer the group's credit perspective further.

Discontinuation of DF contracts for 4 divisions in Odisha: FEDCO had been operating as a power distribution franchisee under a revenue sharing model with calibrated capex in four Odisha divisions, namely Puri, Balugaon, Khurda and Nayagarh under Central Electricity Supply Utility (CESU), Odisha. While the contracts for the existing four divisions had been renewed for the past 2 years, they were extended only temporarily from March 31, 2020 to June 30, 2020, and discontinued thereafter. Although the company has other operational DF contracts for four divisions each in Tripura and Meghalaya, the contribution from the CESU Odisha contract was substantial – accounting for more than 60% of the total income of FEDCO – discontinuation of which has led to a significant contraction in FEDCO's business, considerably impacting the overall business and financial risk profile of Feedback Infra Group. Going forward, the ability of the company to bag similar size contracts of long term nature shall be crucial from a credit perspective.

Deterioration in the financial performance of the company during FY20 leading to a highly leverage capital structure: FIPL, on a consolidated basis, has reported income from operations of Rs 1,066.20 crore during FY20, registering a decline of 16.77% from Rs 1,280.98 crore during FY19. Further during FY20, the company reported a net loss of Rs 246.28 crore on account of exceptional expenses of Rs 377.77 crore during the year largely on account of accelerated depreciation and de-recognition of energy revenue consumer receivables and other contract discontinuation related costs. The significant net loss reported during FY20 has resulted in substantial erosion in the net worth of the company along with weakening of the overall capital structure of the company, as seen by the considerable deterioration in the overall gearing to 34.29x as on March 31, 2020 as against 2.61x as on March 31, 2019. Going forward, improvement in the overall capital structure of the company hinges upon the timely raising of adequate equity and/or equity-like instruments, and the same shall remain a key monitorable.

During Q1FY21, in FIPL, the infrastructure services business was affected, with execution of orders in hand being stalled on account of the outbreak of COVID-19 and the consequent Government restrictions, as a result of which the company registered a decline in cash collections by 35% during Q1FY21 in comparison to the corresponding period in the previous

year. Further, in FEDCO, metering, billing and collection activities were paused from March end to mid-May 2020 which resulted in the decline in consumer collections by 32% during the period Q1FY21 as against Q1FY20.

Elongated collection period: The Feedback Infra Group provides services in the infrastructure sector with high collection period leading to elongated working capital cycle. Given the client portfolio of group majorly constitutes of government and PSU entities, the payments are typically delayed on account of delays in approvals leading to elongated collection period. The collection period of FIPL (standalone) in FY20 stood at 181 days as against 126 days during FY19.

Key Rating Strengths

Experience of founder-promoters and management team in infrastructure services: The founder promoters own 41.16% of FIPL through the investment vehicle, Missions Holdings Private Limited. The remaining ownership lies with banks and financial institutions comprising of HDFC Group, IDFC Bank Limited and Asian private equity firm, ADV Partners. The group is currently lead by Mr. Vinayak Chatterjee who is also the chairman of Confederation of Indian Industry National Council on Infrastructure and has chaired various infrastructure and related committees at the national level over past two decades. The group is professionally managed by a well-qualified and experienced senior management team.

Established track record of operations and proven project execution capabilities: Feedback Infra Group is in the business of engineering consultancy, design, project supervision and management consultancy for more than 25 years. The group has further ventured into operations and management as well as infra management services over the past few decades. Being an old and established provider of infrastructure consulting and project management services, the group maintains strong relationships with most of the institutions and developer groups in infrastructure.

Liquidity - Stretched

The liquidity position of Feedback Infra Group encompasses cash and cash equivalents of ~Rs 14 crore as on October 31, 2020. The utilization of the fund based limits of the group remained high at maximum utilization of ~94% during the 12 month period ended May 2020. The company has availed moratorium on their payment obligations for a period of six months from March 2020 to August 2020, which is in line with the RBI circular dated March 27 2020 and May 23, 2020, and the same has been approved by the lenders. Further, in line with RBI circular dated August 06, 2020, the company has applied for a one-time restructuring, and the same is under consideration by the lenders of the company.

Analytical approach:

Consolidated. CARE, while arriving at the rating of FIPL, has considered consolidated financials of FIPL and its subsidiaries and associate companies.

Applicable Criteria

CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings

CARE's Policy on Default Recognition

CARE's methodology for Short-term Instruments

CARE's methodology for Factoring Linkages in Ratings

CARE's methodology for Infrastructure Sector Ratings

Financial ratios – Non-Financial Sector

CARE's methodology for Liquidity Analysis (Non-Financial sector entities)

Criteria on the 'Analytical treatment for one-time restructuring due to Covid-19 related stress'

About the Company

Feedback Infra Group, established in 1990, is an integrated infrastructure services provider offering design and engineering consultancy, project management, operations & management as well as asset improvement services. The group is providing services in various infrastructure segments, viz, transportation (highways, metro projects etc), energy, real estate and social infrastructure.

While commencing its operations in 1990 through FIPL in the infrastructure services business, over the years, the group entered into the operations and maintenance business for power plants and highways and energy distribution business. FIPL continues to provide advisory, construction management and engineering services and is the holding entity for companies that are into the business for operations & management, power distribution as well as entities for the international business in infrastructure sector. FIPL's shareholding includes banks and financial institutions, apart from the founder promoters' investment through investment holding arm viz. Missions Holdings Private Limited. FIPL's wholly owned subsidiary FEDCO is operating distribution franchisee business at four divisions in Meghalaya, four divisions in Tripura and executes projects pertaining to Network Roll out Implementation (NRI). The group is headquartered in Gurugram, with a pan-India presence as well as a global network including six regional offices (in India), four international offices and 187 project offices.

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

Brief Financials (Rs. crore)	FY19 (A)	FY20 (Prov.)
Total operating income	1280.98	1066.21
PBILDT	152.36	181.84
PAT	7.30	-246.27
Overall gearing (times)	2.61	34.29
Interest coverage (times)	1.44	1.47

A: Audited

The major entities which are considered in the consolidated view of the Feedback Infra Group are as below –

Feedback Infra Pvt Ltd (FIPL)

Feedback Power Operations & Maintenance Services Pvt Ltd (FPOMS)

Feedback Highways OMT Pvt Ltd (FHOMT)

Feedback Energy Distribution Company Ltd (FEDCO)

Dubai Consultant (DC)

PT Feedback Infra (PTFI)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ST-BG/LC	-	-	-	-	301.00	CARE BB / CARE A4 (Under Credit watch with Developing Implications)
Fund-based-Working capital facilities	-	-	-	-	139.00	CARE BB (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	-	-	-	June 2023	162.62	CARE BB (Under Credit watch with Developing Implications)
Fund-based - ST-Working Capital Limits	-	-	-	-	71.88	CARE A4 (Under Credit watch with Developing Implications)
Debentures-Compulsorily Convertible Debentures	INE563M08043	June 12, 2017	10.50%	June 11, 2022	50.00	CARE BB (Under Credit watch with Developing Implications)
Debentures-Non Convertible Debentures	INE563M07011	December 21, 2017	12.75%	December 20, 2022	30.00	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ ST-BG/LC	LT/ST	301.00	CARE BB / CARE A4 (Under Credit watch with Developing Implications)	1)CARE BBB- / CARE A3 (Under Credit watch with Negative Implications) (22-Oct-20)	1)CARE BBB+; Stable / CARE A3+ (21-Jan-20)	1)CARE BBB+; Positive / CARE A3+ (04-Oct-18)	1)CARE BBB+; Stable / CARE A3+ (07-Jul-17)
2.	Fund-based- Working capital facilities	LT	139.00	CARE BB (Under Credit watch with Developing Implications)	1)CARE BBB- (Under Credit watch with Negative Implications) (22-Oct-20)	1)CARE BBB+; Stable (21-Jan-20)	1)CARE BBB+; Positive (04-Oct-18)	1)CARE BBB+; Stable (07-Jul-17)
3.	Fund-based - LT- Term Loan	LT	162.62	CARE BB (Under Credit watch with Developing Implications)	1)CARE BBB- (Under Credit watch with Negative Implications) (22-Oct-20)	1)CARE BBB+; Stable (21-Jan-20)	1)CARE BBB+; Positive (04-Oct-18)	1)CARE BBB+; Stable (13-Dec-17) 2)CARE BBB+; Stable (07-Jul-17)
4.	Fund-based - ST- Working Capital Limits	ST	71.88	CARE A4 (Under Credit watch with Developing Implications)	1)CARE A3 (Under Credit watch with Negative Implications) (22-Oct-20)	1)CARE A3+ (21-Jan-20)	1)CARE A3+ (04-Oct-18)	1)CARE A3+ (07-Jul-17)
5.	Debentures- Compulsorily Convertible Debentures	LT	50.00	CARE BB (Under Credit watch with Developing Implications)	1)CARE BBB- (Under Credit watch with Negative Implications) (22-Oct-20)	1)CARE BBB+; Stable (21-Jan-20)	1)CARE BBB+; Positive (04-Oct-18)	1)CARE BBB+; Stable (13-Dec-17) 2)CARE BBB+; Stable (07-Jul-17)
6.	Debentures-Non Convertible Debentures	LT	30.00	CARE D	1)CARE BBB- (Under Credit watch with Negative Implications) (22-Oct-20)	1)CARE BBB+; Stable (21-Jan-20)	1)CARE BBB+; Positive (04-Oct-18)	1)CARE BBB+; Stable (13-Dec-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not applicable.

Annexure 4: Complexity level of various instruments rated for this company –

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Compulsorily Convertible Debentures	Complex
2.	Debentures-Non Convertible Debentures	Simple
3.	Fund-based - LT-Term Loan	Simple
4.	Fund-based - ST-Working Capital Limits	Simple
5.	Fund-based-Working capital facilities	Simple
6.	Non-fund-based - LT/ ST-BG/LC	Simple

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

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