



HEAVY LIFT TO THE PEAK

SHETHIA ERECTORS AND MATERIAL HANDLERS LTD.

SAFE, EFFICIENT, MODERN, HEAVY LIFT SERVICE WITH TIMELY DELIVERY

23rd July, 2020

To

1. BSE Limited,
Listing Department
Whole Sale Debt Market Segment
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 001

2. Debenture Trustee
Catalyst Trusteeship Limited
Address: Windsor, 6th Floor, Office No. 604,
C.S.T. Road,
Kalina, Santacruz (East), Mumbai - 400098

Sub: Intimation for revision in Credit Rating in terms of Regulation 55 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

Dear Sir/Madam,

Our Company has been negatively impacted due to the uncertainty and disruptions caused by the Covid-19 pandemic resulting in lockdowns all over the country, containment zone measures and other restrictions imposed on mobility and business operations. This uncertainty and disruption is expected to continue at least the near future and has negatively impacted not only our company but the economy at large and most businesses operating in India. Considering this economic slowdown and negative outlook Company's credit rating has been revised (downgraded) by CRISIL Limited ("CRISIL") for the Financial Year 2019-20, as follows:

Particulars	Amount (in 'Cr')	Rating Action
Debentures Rated	Rs. 75 Cr.	CRISIL BB/Stable (Downgraded from 'CRISIL BB+/Stable')
Long Term Line of Credit	Rs. 252.08 Cr.	CRISIL BB/Stable (Downgraded from 'CRISIL BB+/Stable')
Short Term Line of Credit	Rs. 47.92 Cr.	CRISIL A4+ (Reaffirmed)

Post obtaining rating from CRISIL Company approached ICRA Limited ("ICRA") for obtaining fresh ratings with a hope of improved rating but the ratings provided by them on the debentures and Long Term Line of Credit were same as provided by CRISIL. Below are the ICRA ratings for your perusal:

Particulars	Amount (in 'Cr')	Rating Action
Debentures Rated	Rs. 75 Cr.	ICRA BB/Stable
Long Term Line of Credit	Rs. 300 Cr.	ICRA BB/Stable

The ratings clearly stated that intimating these ratings or publishing them would be deemed acceptance of the ratings. Hence the Company did not intimate the stock exchange or publish the same during the pendency of review application with the Review Committee of CRISIL and ICRA. However, they have now informed us that they would not be able to make any changes to their earlier ratings even in consideration of the covid-19 impact on the entire economy. The delay in intimating the credit rating has occurred due to our efforts to seek a revision in rating.

The Rating Rational of CRISIL dated 5th May, 2020 and the rating provided by ICRA Limited vide its Credit Rating Report dated 6th July, 2020 and 14th July, 2020 are also enclosed herewith this letter.

We request you to kindly take note of the same and oblige us. Thanking you.

Yours faithfully,

For Shethia Erector's and Material Handlers Ltd

Nida Khot
Company Secretary



Rating Rationale

May 05, 2020 | Mumbai

Shethia Erectors and Material Handlers Limited

Long-term rating downgraded to 'CRISIL BB/Stable' ; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.300 Crore
Long Term Rating	CRISIL BB/Stable (Downgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

Rs.75 Crore Non Convertible Debentures	CRISIL BB/Stable (Downgraded from 'CRISIL BB+/Stable')
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1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its rating on the long-term bank facilities and Rs 75 crore Non-convertible debentures (NCD) of Shethia Erectors and Material Handlers Limited (SEMHL) to '**CRISIL BB/Stable**' from '**CRISIL BB+/Stable**' and reaffirmed its short-term rating at '**CRISIL A4+**'.

Downgrade reflects weakening expected in SEMHL's business risk profile and accordingly deterioration in financial risk profile particularly liquidity. Revenue and net cash accruals for fiscal 2020 is estimated to be lower than CRISIL earlier expectations. Further, revenue and net cash accruals for fiscal 2021 is expected to remain subdued due to lower operational levels of the cranes due to delay in projects amidst disruptions in the overall economic activity due to restrictions and lockdown in India. This is expected to impact the financial risk profile especially liquidity and debt protection metrics over the medium term as the company has sizeable repayment obligations. Further, although debtors improved as on March 31, 2020, company's operations continue to remain working capital intensive with sizeable debtors' period which could also see elongation again in the current scenario.

CRISIL has taken cognizance of the restrictions on economic activity, including closure of all non-essential manufacturing plants in India as well as lock down and disruptions in key global markets, to contain the spread of COVID-19. Although currently 45% of the crane have become operational (occupancy: 90%) since April 20, 2020, impact of COVID-19 related restrictions applicable post May 17, 2020 will remain a key monitorable.

CRISIL has also taken into cognizance, moratorium being granted by the bankers in debt servicing (of term loan as well as working capital facilities) for a period of 90 days, as permitted by the Reserve Bank of India (RBI), which should contain the risk of default. Further, CRISIL believes although elongated, the company would see a steady inflow of receivables from its customers, over the medium term and would also be able to largely revive its operations over the next two-three months.

The ratings continue to reflect SEMHL's established position of the company in the domestic crane rental business, promoters' extensive experience and moderate financial risk profile. These strengths are partially offset by elongated working capital requirements on account of stretched receivables and susceptibility to capacity additions in key end-user industries.

Analytical Approach

CRISIL has treated unsecured loan from promoters (Rs 13.74 crore as on March 31, 2019) as neither debt nor equity on account of track record of non-withdrawal for past 3 years.

Key Rating Drivers & Detailed Description

Strengths:

* **Established market position and promoters' extensive experience:** SEMHL is among the top domestic and established player with a fleet having tonnage capacity of over 26262 metric tonnes. Company has long standing presence in domestic crane rental industry with large and relatively new fleet and reputed clientele. The company has a reputed clientele from multiple end-user industries including wind energy, oil & gas, refinery, infrastructure and other heavy industries. The promoters have over three decades of experience, which helped establish the business and scale up operations.

* **Moderate financial risk profile:** Healthy network and moderate total outside liabilities to adjusted network (TOL/ANW) ratio (Rs 173.59 crore and 2.6 times, respectively as on March 31, 2019) comfortable debt protection metrics (interest coverage ratio and net cash accruals to adjusted debt of 2.87 times and 0.17 times for fiscal 2019) represents moderate financial risk profile. TOLANW is estimated to remain sub 1.9 times as on March 31, 2020.

Weaknesses:

* **Elongated working capital requirements on account of stretched receivables:** Debtor days is estimated to be at 194 days as on March 31, 2020 against 251 days as on March 31, 2019 with significant debtors of over 6 months. SEMHL's ability going ahead to collect receivables in timely manner amid ongoing disruption on account of measures to contain COVID 19 will be key rating monitorable.

* **Susceptibility to capacity additions in key end-user industries:** Company is exposed to industry concentration risk as it derives over 55% of revenue from wind energy and oil and gas segment. Any slowdown in a particular industry may affect the company's deployment levels, revenue and margins. Although, SEMHL has long-term contracts with key players in wind energy sector keeping the optimum deployment for the cranes amidst ongoing lockdown and economic disruption remain critical.

Liquidity Stretched

Cash accrual is estimated to have been over Rs 62 crore in fiscal 2020. The company has long term repayment obligation of Rs 55-57 crore over next 2 years. Cushion between cash accruals and repayment obligations is expected to remain tight. Company has no major capex plans over medium term. The company has access to fund based limits of Rs.52.4 crore, but the same are almost fully utilised. Company had cash and cash equivalents (both encumbered and unencumbered) of over Rs. 23.52 crore as on March 31, 2019. Company has fixed cost of around Rs 1.5 crore per month and interest payment of Rs 0.6 crore per month on NCDs. Though elongated, steady realization of debtors from domestic as well as from Middle East market which along with balance in escrow and cash and cash equivalents will be adequate to meet fixed cost and interest payment in the near term.

Outlook: Stable

CRISIL believes SEHML business risk profile will be supported by its established market position in the crane rental segment.

Rating Sensitivity factors

Upward factors

- * Sustained improvement in revenues and operating profits, leading to cash accruals of above Rs 65 crore
- * The working capital cycle improves on account of realization of receivables also resulting in reduction in debtors more than 6 months

Downward factors

- * Lower operating performance resulting in cash accruals of less than Rs 40 crore
- * Any major debt-funded capex or further stretch in working capital cycle

About the Company

SEMHL, incorporated in 1989, is the flagship company of the Shethia group presently led by Mr Mitesh Shethia. It is an established crane rental service provider in India with a fleet of 154 cranes and 54 trailers with capacities in the range of 100-1200 tonne per vehicle. Its registered office is in Mumbai and workshop is in Panvel. Company has a 100% subsidiary - Shethia Investment and Management Limited, based in UAE, incorporated in 2012.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	153.33	134.19
Profit after tax	Rs crore	12.6	32.29
PAT margin	%	8.2	24.07
Adjusted debt/adjusted networkth	Times	1.75	1.61
Interest coverage	Times	2.87	3.82

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	2.92	CRISIL A4+
NA	Buyer's Credit	NA	NA	NA	10	CRISIL BB/Stable
NA	Capex Letter of Credit	NA	NA	NA	45	CRISIL A4+
NA	Cash Credit	NA	NA	NA	25.5	CRISIL BB/Stable
NA	Overdraft	NA	NA	NA	18.1	CRISIL BB/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	30.08	CRISIL BB/Stable
NA	Term Loan	NA	NA	Mar-24	168.4	CRISIL BB/Stable
INE07B807013	Non-Convertible Debentures	31-Dec-19	14%	30-Dec-24	75	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Current				2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non	LT	53.00	CRISIL			15-11-19	CRISIL		--		--	--

Convertible Debentures		05-05-20	BB/Stable				BB+/Stable					
Fund-based Bank Facilities	LT/ST	252.08	CRISIL BB/Stable			15-11-19	CRISIL BB+/Stable	17-12-18	CRISIL BBB/Stable	03-10-17	CRISIL BBB+/Stable	--
						02-08-19	CRISIL BB+/Stable	14-11-18	CRISIL BB+/Stable (Issuer Not Cooperating)*			
Non Fund-based Bank Facilities	LT/ST	47.92	CRISIL A4+			15-11-19	CRISIL A4+	17-12-18	CRISIL A3+	03-10-17	CRISIL A2	--
						02-08-19	CRISIL A4+	14-11-18	CRISIL A4+ (Issuer Not Cooperating)*			

All amounts are in Rs.Cr.

*Issuer did not cooperate; based on best-available information

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	2.92	CRISIL A4+	Bank Guarantee	2.92	CRISIL A4+
Buyer's Credit	10	CRISIL BB/Stable	Buyer's Credit	10	CRISIL BB+/Stable
Capex Letter of Credit	45	CRISIL A4+	Capex Letter of Credit	45	CRISIL A4+
Cash Credit	25.5	CRISIL BB/Stable	Cash Credit	25.5	CRISIL BB+/Stable
Overdraft	18.1	CRISIL BB/Stable	Overdraft	18.1	CRISIL BB+/Stable
Proposed Long Term Bank Loan Facility	30.08	CRISIL BB/Stable	Proposed Long Term Bank Loan Facility	30.08	CRISIL BB+/Stable
Term Loan	168.4	CRISIL BB/Stable	Term Loan	168.4	CRISIL BB+/Stable
Total	300	--	Total	300	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[The Rating Process](#)

[Understanding CRISILs Ratings and Rating Scales](#)

[CRISILs Bank Loan Ratings](#)

[The Rating Process](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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ICRA Limited

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Ref: ICRAHYD/SEMHL/2020-21/0607

Date: July 6, 2020

Mr. Manoj Chaudhari
Chief Executive Officer
Shethia Erectors and Material Handlers Limited
Godrej Coliseum, B Wing, 1301, 13th Flr,
Behind Everad Nagar, Off Eastern Express Highway,
Sion (E), Mumbai -400 022.

Dear Sir,

Re: Review of ICRA Credit Rating for the Rs. 75 crore Non-Convertible Debenture (NCD) Programme of Shethia Erectors and Material Handlers Limited

Please refer to our letter dated June 17, 2020 communicating the [ICRA]BB(Stable) rating assigned to the captioned NCD Borrowing Programme of your company and also your subsequent email dated June 19, 2020 requesting a review of the same.

Please note that the Rating Committee of ICRA, after due consideration has retained the rating at [ICRA]BB (pronounced as ICRA Double B). Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations. The outlook on the long-term rating is 'Stable'.

In any of your publicity material or other document wherever you are using the above assigned rating, it should be stated as [ICRA]BB(Stable).

We would request if you can sign attached acknowledgement and send it to us latest by July 13, 2020 as acceptance on the assigned rating. In case you do not communicate your acceptance/non-acceptance of the assigned credit rating, the rating will be treated by us as non-accepted and shall be disclosed on ICRA's website accordingly. This is in accordance with requirements prescribed by the Securities and Exchange Board of India (SEBI) vide SEBI circular dated June 30, 2017

Any intimation by you about the above rating to any banker/lending agency/government authorities/stock exchange would constitute use of this rating by you and shall be deemed acceptance of the rating.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned. ICRA reserves the right to review and/or, revise the above at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the bonds, debentures and/or other instruments of like nature to be issued by you.

As mentioned above and in accordance with the aforesaid circular you are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme.



ICRA Limited

For ICRA Limited

RAJESHWAR BURLA

Digitally signed by RAJESHWAR BURLA
DN: cn=, o=Andhra Pradesh,
2.5.4.26=200307200904471722ee4d91e956cebb2c239f72c460d7e13c3e352e, postalCode=500001
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HOSPITAL, MADHAPUR, SHARIPET HYDERABAD ANDHRA PRADESH
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Vice President



ICRA Limited

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Ref: ICRAHYD/SEMHL/2020-21/1307

Date: July 14, 2020

Mr. Manoj Chaudhari
Chief Executive Officer
Shethia Erectors and Material Handlers Limited
Godrej Coliseum, B Wing, 1301, 13th Flr,
Behind Everad Nagar, Off Eastern Express Highway,
Sion (E), Mumbai -400 022.

Dear Sir,

**Re: ICRA-assigns Credit Rating for Rs. 300 Line of Credit of Shethia Erectors and Material Handlers Limited
(instrument details in Annexure)**

Please refer to your Rating Agreement dated May 9, 2020 requesting ICRA Limited ("ICRA") to carry out the rating of Rs. 300 crore Line of Credit (LOC) of your company. The Rating Committee of ICRA, after due consideration, has assigned a long-term rating of **[ICRA]BB** (pronounced ICRA Double B) with a stable outlook to the captioned LOC.

The aforesaid ratings will be due for surveillance any time before July 13, 2021.

The ratings are specific to the terms and conditions of the LOC as indicated to us by you, and any change in the terms or size of the same would require a review of the ratings by us. In case there is any change in the terms and conditions or the size of the rated LOC, the same must be brought to our notice before the facility is used by you. In the event such changes occur after the ratings have been assigned by us and their use has been confirmed by you, the ratings would be subject to our review, following which there could be a change in the ratings previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above ratings at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the ratings assigned.

The rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated bank facility availed by your company.

. The rating assigned to the bank facility of your company shall require revalidation if there is any change in the size or structure of the rated bank facility.

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the enclosed format) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed by the Securities and Exchange Board of India vide SEBI circular dated June 30, 2017.

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).



ICRA Limited

We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With regards,

Yours sincerely,

for ICRA Limited

RAJESHWAR BURLA

Digitally signed by RAJESHWAR BURLA
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2.5.4.20=34c0d372d89c47f772e4830a5f6c0bba2c30f78e4608d7e33c3e3256,
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serialNumber=7aa972446682c2b9f9b8b2ea13d13c78d62653b07f98a7a7d02e4c7b99,
o=Praxiom, ou=RAJESHWAR BURLA, postalCode=500001, cn=RAJESHWAR BURLA
Date: 2020.07.14 14:38:03 + 0530

Rajeshwar Burla
Vice President