Suzlon Energy Limited

December 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term / Short Term Bank Facilities	1300.00	**CARE A+ (SO); Stable / CARE A1+ (SO) (A Plus (Structured Obligation); Outlook: Stable /A One Plus (Structured Obligation))**	**Reaffirmed, Final Rating Assigned**
Total	**1300.00 (Rs. Thirteen hundred crore only)**		

Details of instruments/facilities in Annexure-1

**Backed by credit enhancement in the form of unconditional and irrevocable corporate guarantee by Lakshdeep Investments & Finance Pvt. Ltd. (LIFPL, guarantor).*

Detailed Rationale & Key Rating Drivers

The re-affirmation in the rating of Suzlon Energy Limited (SEL) takes into account credit enhancement in the form of unconditional and irrevocable corporate guarantee by Lakshdeep Investments & Finance Pvt. Ltd. (LIFPL). LIFPL's credit profile derives strength from the resourceful and strong promoter group and financial flexibility enjoyed by it due to its investments in Sun Pharmaceutical Industries Ltd. (Sun Pharma) that have a significantly higher market value as compared to book value. The ratings centrally factors in the following:

- Total borrowings against the pledge of Sun Pharmaceutical Industries Ltd. (Sun Pharma) and Sun Pharma Advanced Research Company Ltd (SPARC) shares held by LIFPL, its subsidiary and the individual directors - Mr. Sudhir Valia and family shall not exceed Rs.3,500 crore. While calculating this limit of Rs.3,500 crore, entire borrowing as well as all contingent exposures (including but not limited to corporate guarantee, contingent liability, undertaking etc.) of LIFPL and its subsidiaries shall be taken into account **And**
- The cover (i.e. ratio of market value of Sun Pharma and SPARC shares held by Valia Group to total borrowings) shall be at least 1.75x at all times

Rating also positively builds in the conservative capital structure of LIFPL, with no major borrowing. Furthermore, large quantum of shares held by the promoters of LIFPL (in their individual capacities) in Sun Pharma is not encumbered, providing additional financial flexibility.

The rating is constrained by limited income since LIFPL is an investment entity with primary source of income being dividend, interest and profit on sale of investments and exposure to fluctuations in market value of investments. Substantial diminution in value of investments or quantum of shares held as well as increased pledge of shares held in Sun Pharma are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

High financial flexibility: LIFPL enjoys high financial by virtue of its holding in Sun Pharma and SPARC. Mr. Sudhir Valia, alongwith his family, LIFPL and its subsidiary holds 3.98% stake in Sun Pharma translating into market value of ~ Rs 4941 crore as on November 17, 2017. Also, by virtue of their 4.61% holding in SPARC, market value of its holding stands at Rs 446 crore as on November 17, 2017. Cumulatively holding of their stake in Sun Pharma and SPARC is ~ Rs 5387 crore.

Key Rating Weaknesses

Income from interest and dividend: LIFPL is an investment company, with dividend & interest income and profit on sale of investments as its primary source of income. Hence, income could fluctuate in case of an economic downturn or

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

deterioration in the performance of a potential investee company. In case of substantial diminution in value of investments, there would be deterioration in financial flexibility of LIFPL.

Analytical approach: The rating of the bank facilities of Suzlon Energy Limited (SEL) is contingent on the assessment of Lakshdeep Investments & Finance Private Limited (LIFPL) which has provided an unconditional and irrevocable corporate guarantee for the same. LIFPL has been assessed on a standalone basis

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Factoring Linkages in Ratings
Rating Methodology – Short Term Instruments

Background – SEL
SEL, promoted by Mr Tulsi Tanti, is fully-integrated wind power solution (Wind Turbine Generator) provider and its activities include wind resource mapping, land & infrastructure development, creation of power evacuation facilities, component manufacturing, wind turbine installation, commissioning and Operation & Maintenance Services (OMS) both in domestic and international markets.

Background of the guarantor – LIFPL
Lakshdeep Investments & Finance Pvt. Ltd. (LIFPL), an investment company, is promoted by Mr. Sudhir Valia & family alongwith various promoter held companies owned by them. Mr. Sudhir Valia is the whole time director of Sun Pharmaceutical Industries Ltd. (Sun Pharma) and also the brother in law of Mr. Dilip Shanghvi, promoter and Managing Director of Sun Pharma.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	29.7	21.7
PBILDT	26.8	16.5
PAT	13.2	12.4
Overall gearing (times)	-	-
Interest coverage (times)	NM	-

Status of non-cooperation with previous CRA: ICRA suspended the ratings of Suzlon Energy Ltd vide its Press Release in Sept-2016 on account of inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: NA

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

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

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	1300.00	CARE A+ (SO); Stable / CARE A1+ (SO)

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	1300.00	CARE A+ (SO); Stable / CARE A1+ (SO)	-	1)Provisional CARE A+ (SO); Stable / CARE A1+ (SO) (22-Dec-16) 2)Provisional CARE A+ (SO) / CARE A1+ (SO) (01-Apr-16)	-	1)CARE A+ (SO) (In Principle) / CARE A1+ (SO) (In Principle) (26-Mar-15)
2.	Fund-based-Working capital facilities	LT	3300.00	CARE BBB; Stable	1)CARE BBB; Stable (17-Oct-17)	1)CARE BBB (28-Oct-16)	1)CARE BBB- (08-Oct-15)	-
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	6406.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (17-Oct-17)	1)CARE BBB / CARE A3+ (28-Oct-16)	1)CARE BBB- / CARE A3 (08-Oct-15)	-
4.	Term Loan-Long Term	LT	2631.01	CARE BBB; Stable	1)CARE BBB; Stable (17-Oct-17)	1)CARE BBB (28-Oct-16)	1)CARE BBB- (08-Oct-15)	-
5.	Non-fund-based - LT-Letter of credit	LT	4139.00	CARE BBB; Stable	1)CARE BBB; Stable (17-Oct-17)	1)CARE BBB (28-Oct-16)	1)CARE BBB- (08-Oct-15)	-
6.	Commercial Paper	ST	1000.00	CARE A3+	1)CARE A3+ (17-Oct-17)	1)CARE A3+ (28-Oct-16)	1)CARE A3 (08-Oct-15)	-

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CIN - L67190MH1993PLC071691