

L&T Shipbuilding Limited

November 30, 2018

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	1,331	1,331	[ICRA]AAA(SO) (Stable); Reaffirmed

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of the rating takes into account the unconditional and irrevocable corporate guarantee issued by Larsen & Toubro Limited ([ICRA]AAA (Stable)) for the rated facilities of L&T Shipbuilding Limited (LTSB). The rating also factors the payment mechanism designed to ensure timely payment on the rated NCDs as per the terms of the transaction.

Outlook: Stable

The outlook may be revised if there is a change in outlook of the guarantee provider.

Key rating drivers

Credit strengths

Support from L&T - The rating of the NCD is based on the strength of an unconditional and irrevocable guarantee by Larsen & Toubro Limited (L&T).

Presence of payment mechanism – The rating for NCDs also factors in the payment mechanism which is designed to ensure timely payment to the NCD investors as per terms of the transactions, even if the guarantee has to be invoked by the debenture trustee.

Liquidity Position:

The liquidity profile for the NCD programme is governed by the liquidity profile of the guarantor L&T. The liquidity profile of L&T remains strong with liquid surplus of around Rs. 12,759 crore as on September 30, 2018.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: Larsen & Toubro Limited
Consolidation / Standalone	NA

About the company:

L&T Shipbuilding Limited (LTSB) operates a shipyard facility at Kattupalli, Chennai where building of Warships, Submarines, Auxiliary Vessels / Crafts and Specialised Commercial Ships is undertaken. It also undertakes repairs and refits of both defence and commercial ships. LTSB is a joint venture project between Larsen & Tubro Limited and Tamil Nadu Industrial Development Corporation Limited (TIDCO), a Government of Tamil Nadu Enterprise, with respective shareholding of 97% and 3%.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	621	731
PAT (Rs. crore)	(348)	(441)
OPBDIT/OI (%)	(41.0%)	(17.1%)
RoCE (%)	(5.0%)	(9.3%)
Total Debt/TNW (times)	(3.5)	(3.6)
Total Debt/OPBDIT (times)	(11.3)	(23.1)
Interest coverage (times)	(1.1)	(0.5)

About the Guarantor:

Larsen & Toubro Limited (L&T) is a leading engineering and construction company in India with a nationwide as well as international presence. It is headquartered in Mumbai. It has interests in infrastructure, power, metallurgical & material handling, heavy engineering, shipbuilding, electrical & automation, machinery and industrial products and realty. Apart from India, it has a significant presence in the Middle East. Through its subsidiaries, associate companies and joint ventures, the group is involved in hydrocarbon business, IT services, financial services, and infrastructure development ventures.

For detailed rating rationale on Larsen & Toubro Limited, [click here](#) referring to the latest release published on ICRA website.

Key financial indicators (standalone & audited)

	FY2017	FY2018
Operating Income (Rs. crore)	65,724	74,463
PAT (Rs. crore)	5,454	5,387
OPBDIT/OI (%)	9.7%	10.0%
RoCE (%)	14.5%	15.1%
Total Debt/TNW (times)	0.23	0.21
Total Debt/OPBDIT (times)	1.65	1.42
Interest coverage (times)	4.86	5.19

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating November 2018	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
					October 2017	July 2016	June 2015
1 NCD	Long Term	1,331.0	1,331.0	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)	[ICRA]AAA (SO) (Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE054O07017	Non-Convertible Debenture	25-Oct-2012	9.1%	25-Oct-2023	260.00	[ICRA]AAA(SO) (Stable)
INE054O07025	Non-Convertible Debenture	25-Oct-2012	9.1%	25-Oct-2024	260.00	[ICRA]AAA(SO) (Stable)
INE054O07033	Non-Convertible Debenture	25-Oct-2012	9.1%	25-Oct-2025	260.00	[ICRA]AAA(SO) (Stable)
INE054O07041	Non-Convertible Debenture	25-Oct-2012	9.1%	25-Oct-2026	260.00	[ICRA]AAA(SO) (Stable)
INE054O07058	Non-Convertible Debenture	25-Oct-2012	9.1%	25-Oct-2027	291.00	[ICRA]AAA(SO) (Stable)

Source: LTSE

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