February 03, 2021

Piramal Enterprises Limited – Update on entity

Summary of rating (s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term/Short Term Fund Based	300.0	300.0	[ICRA] AA (negative) /[ICRA] A1+
Long Term- Fund Based Term Loan	1,350.0	1,350.0	[ICRA] AA (Negative)
Short Term Non-Fund Based	200.0	200.0	[ICRA] A1+
Short Term Fund based	1,620.0	1,620.0	[ICRA] A1+
No Convertible Debentures	7,840.0	7840.0	[ICRA] AA (Negative)
Total	**11,310.0**	**11,310.0**	

**Instrument details are provided in Annexure-1*

Rationale

Material Event

On January 22, 2021, Piramal Enterprises Limited (PEL), announced through a stock exchange notification that the Committee of Creditors (CoC) of Dewan Housing Finance Corporation Limited (DHFL) had declared PEL's financial services subsidiary, Piramal Capital & Housing Finance Limited (PCHFL), as the successful resolution applicant in relation to the corporate insolvency resolution process of DHFL under the Insolvency & Bankruptcy Code, 2016 and had identified the resolution plan submitted by PCHFL as the successful resolution plan.

Impact of Material Event

ICRA takes note of PCHFL's emergence as the successful resolution applicant for DHFL, as approved by the CoC of DHFL and subject to various regulatory and statutory approvals including that from the Reserve Bank of India (RBI) and the National Company Law Tribunal (NCLT), Mumbai bench. ICRA notes that the successful completion of the transaction would result in material improvement in the diversification and granularity of PCHFL's asset profile. However, the performance and quality of DHFL's loan portfolio over the medium term remains uncertain, which in-turn would have a bearing on the asset quality of the combined entity (PCHFL + DHFL). Given the significant size of the acquisition in relation to PCHFL's current scale of operations, ICRA will continue to engage with the management to understand the exact contours of the transaction and its impact on PEL's credit profile.

The ratings factor in the strength derived from an established track record of the promoter group in building and scaling successful businesses led by a strong and experienced management team. The company has also demonstrated financial flexibility by fund raising activities demonstrated in FY2020 and H1 FY2021 and through the divestment of 20% minority stake in its pharmaceuticals business in October 2020. The Negative outlook reflects the possibility of higher than expected funding support for its financial services business because of the subdued operating environment leading to deterioration in the credit profile of PEL.

Rating sensitivities

Positive triggers – ICRA can change the outlook to Stable from Negative in case there is a significant and sustained improvement in mobilisation of long-term funds from diverse sources for its financial services business and timely implementation of the DHFL resolution plan, as envisaged. Stake sale in Shriram group will also positively impact the ratings.

Negative triggers – The Ratings will be downgraded in the event of lower than expected performance of financial services business (including proposed DHFL transaction) leading to deterioration in liquidity levels at PEL consolidated levels or higher than expected funding support for financial services and pharmaceuticals business from PEL.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, and Key financial indicators: **Click here**

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has analysed the standalone credit profile of PEL, including the Pharma business as well as the Shriram Group investments. Further, ICRA has factored-in the ordinary and extraordinary funding support required for the financial services business. ICRA may modify its rating approach, if required, upon conclusion of Pharma stake sale based upon the exact contours of the deal.

About the company

PEL is one of India's largest diversified companies, with an established presence across pharmaceuticals (CDMO, complex hospital generics and consumer healthcare products) and financial services. It integrated its pharmaceuticals manufacturing capabilities across 14 global facilities for APIs, HPAPIs and formulations, as well as a global distribution network in over 100 countries. PEL sells a portfolio of niche differentiated pharma products that include inhalation and injectable anesthesia, pain management drugs and intrathecal spasticity management opioids (top global provider of inhalation anesthetics). The company is also strengthening its presence in the consumer healthcare segment (OTC) with its well renowned brand portfolio of more than 20 major brands. In June 2020, the Carlyle Group bought 20% minority stake in PEL's pharmaceutical business. In FY2020, PEL divested its stake in the Healthcare Insights and Analytics (HIA) business to Clarivate Analytics PLC.

PCHFL (rated [ICRA] AA/negative) is registered as a housing finance company with the National Housing Bank (NHB) and is engaged in various financial services businesses. It provides real estate lending, housing finance, corporate finance lending and small and emerging corporate lending. PEL is also planning to foray into the consumer financing business, which is expected to consist of secured products like small commercial vehicles and multi collateral secured loans.

The company also has strategic alliances with top global funds such as APG Asset Management, Bain Capital Credit, CDPQ and Ivanhoé Cambridge. PEL has long-term equity investments in the Shriram Group, a leading financial conglomerate in India.

Key financial indicators (audited)

Refer the previous detailed rationale on the following link: **Click here**

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)						Chronology of Rating History for the past 3 years								
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)*	Date & Rating in			Date & Rating in FY2020		Date & Rating in FY2019					Date & Rating in FY2018	
					Feb 03, 2021	Jul 27, 2020	May 28, 2020	Jun 25, 2019	Apr 22, 2019	Feb 15, 2019	Dec 31, 2018	Dec 21, 2018	Nov 26, 2018	Apr 05, 2018	Oct 09, 2017	Jun 05, 2017
1	Fund based	Long-term/ Short-term	300.0	208.0	**[ICRA]AA (Negative)/ [ICRA] A1+**	[ICRA] AA (Negative) / [ICRA] A1+	[ICRA] AA (Negative)/ [ICRA] A1+	[ICRA] AA (Negative) / [ICRA] A1+	[ICRA] AA (Negative)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+
2	Term Loan	Long term	1350	875.0	**[ICRA]AA (Negative)**	[ICRA] AA (Negative)	[ICRA] AA (Negative)	[ICRA] AA (Negative)	[ICRA] AA (Negative)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)
3	NCD	Long-term	7840	1335.3	**[ICRA]AA (Negative)**	[ICRA] AA (Negative)	[ICRA] AA (Negative)	[ICRA] AA (Negative)	[ICRA] AA (Negative)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)
4	Non-fund based	Short-term	200.0	66.9	**[ICRA] A1+**	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
5	Fund-based facility	Short-term	1620	800.0	**[ICRA] A1+**	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
6	Commercial paper	Short Term	-	-	-	[ICRA] A1+; withdrawn	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
7	Principal Protected Market Linked Debentures	Long-term	-	-	-	PP-MLD [ICRA] AA (Negative); withdrawn	PP-MLD [ICRA] AA (Negative)	PP-MLD [ICRA] AA (Negative)	PP-MLD [ICRA] AA (Negative)	PP-MLD [ICRA] AA (stable)	PP-MLD [ICRA] AA (stable)				-	-
8	Provisional Principal Protected Market Linked Debentures	Long-term	-	-	-	Provisional PP-MLD [ICRA] AA (Negative); withdrawn	Provisional PP-MLD [ICRA] AA (Negative)	Provisional PP-MLD [ICRA] AA (Negative)	Provisional PP-MLD [ICRA] AA (Negative)	Provisional PP-MLD [ICRA] AA (stable)	Provisional PP-MLD [ICRA] AA (stable)				-	-

**Amount outstanding as on July 27, 2020*

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 click here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan 1	16-Aug-17		-	100.00	[ICRA] AA (Negative)
NA	Term Loan 2	31-Jul-17		28-Dec-20	500.00	[ICRA] AA (Negative)
NA	Term Loan 3	27-Sep-17		-	150.00	[ICRA] AA (Negative)
NA	Term Loan 4	19-Sep-17		-	100.00	[ICRA] AA (Negative)
NA	Term Loan 5	27-Sep-18		25-Sep-20	500.00	[ICRA] AA (Negative)
NA	Line of credit/ST Loan	20-Mar-17		-	500.00	[ICRA] A1+
NA	Line of credit/ST Loan	17-Jan-17		-	300.00	[ICRA] A1+
NA	Line of credit/ST Loan	29-Aug-17		-	135.00	[ICRA] A1+
NA	Line of credit/ST Loan	15-Mar-15		-	100.00	[ICRA] A1+
NA	Line of credit/ST Loan	30-Mar-12		-	135.00	[ICRA] A1+
NA	Line of credit/ST Loan	28-Oct-15		-	100.00	[ICRA] A1+
NA	Line of credit/ST Loan	20-May-16		-	100.00	[ICRA] A1+
NA	Line of credit/ST Loan	7-Dec-17		-	250.00	[ICRA] A1+
NA	Fund Based	NA	NA	NA	300.00	[ICRA] AA (Negative) / [ICRA] A1+
NA	Non- Fund Based	NA	NA	NA	200.00	[ICRA] A1+
INE140A07179	NCD	14-Jul-16	9.75%	14-Jul-26	35.00	[ICRA] AA (Negative)
INE140A07203	NCD	19-Jul-16	9.57%	19-Jul-21	10.00	[ICRA] AA (Negative)
INE140A07211	NCD	19-Jul-16	9.75%	17-Jul-26	5.00	[ICRA] AA (Negative)
INE140A08SW7	NCD	23-Jun-17	8.20%	27-Jul-20	125.00	[ICRA] AA (Negative)
INE140A07377	NCD	11-Aug-17	7.90%	11-Aug-20	100.00	[ICRA] AA (Negative)
INE140A07385	NCD	14-Sep-17	7.90%	14-Sep-20	330.00	[ICRA] AA (Negative)
INE140A07427	NCD	22-Nov-18	9.70%	20-Nov-20	900.00	[ICRA] AA (Negative)
INE140A07476	NCD	24-Dec-18	9.70%	24-Dec-20	500.00	[ICRA] AA (Negative)
INE140A07419	NCD	22-Nov-18	9.30%	22-Nov-19	100.00	[ICRA] AA (Negative)
NA	NCD	Not issued	-	Not issued	5735.00	[ICRA] AA (Negative)

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
PHL Fininvest Private Limited	100%	Limited Consolidation
Searchlight Health Private Limited	51%	Full Consolidation
Piramal International	100%	Full Consolidation
Piramal Holdings (Suisse) SA	100%	Full Consolidation
Piramal Dutch Holdings N.V.	100%	Full Consolidation
Piramal Critical Care Italia, SPA	100%	Full Consolidation
Piramal Critical Care Deutschland GmbH	100%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Piramal Critical Care B.V.	100%	Full Consolidation
Piramal Healthcare (Canada) Limited	100%	Full Consolidation
Piramal Critical Care Limited	100%	Full Consolidation
Piramal Critical Care South Africa (Pty) Ltd	100%	Full Consolidation
Piramal Critical Care Pty. Ltd.	100%	Full Consolidation
Piramal Healthcare UK Limited	100%	Full Consolidation
Piramal Healthcare Pension Trustees Limited	100%	Full Consolidation
Piramal Healthcare Inc.	100%	Full Consolidation
Piramal Critical Care Inc.	100%	Full Consolidation
Piramal Pharma Inc.	100%	Full Consolidation
PEL Pharma Inc.	100%	Full Consolidation
Piramal Pharma Solutions Inc.	100%	Full Consolidation
Ash Stevens LLC	100%	Full Consolidation
Piramal Dutch IM Holdco B.V.	100%	Full Consolidation
PEL-DRG Dutch Holdco B.V.	100%	Full Consolidation
Piramal Fund Management Private Limited	100%	Full Consolidation
Indiareit Investment Management Company	100%	Full Consolidation
Piramal Asset Management Private Limited	100%	Full Consolidation
Piramal Capital & Housing Finance Limited	100%	Limited Consolidation
Piramal Investment Advisory Services Private Limited	100%	Full Consolidation
Piramal Investment Advisory Services Private Limited	100%	Full Consolidation
Piramal Investment Opportunities Fund	100%	Full Consolidation
Piramal Systems & Technologies Private Limited	100%	Full Consolidation
Piramal Technologies SA	100%	Full Consolidation
PEL Finhold Private Limited	100%	Limited Consolidation
Piramal Consumer Products Private Limited	100%	Full Consolidation
Piramal Securities Limited	100%	Full Consolidation
Piramal Asset Management Private Limited (Singapore)	100%	Full Consolidation
Piramal Pharma Solutions BV	100%	Full Consolidation
Piramal Capital International Limited	100%	Full Consolidation
Piramal Pharma Limited	100%	Full Consolidation
List of Joint Ventures		
Convergence Chemicals Private Limited	51%	Equity Method
India Resurgence ARC Private Limited	50%	Equity Method
India Resurgence Asset Management Business Private Limited	50%	Equity Method
Asset Resurgence Mauritius Manager	50%	Equity Method
Piramal Ivanhoe Residential Equity Fund 1	50%	Equity Method
India Resurgence Fund - Scheme 2	50%	Equity Method
India Resurgence ARC trust I	50%	Equity Method
Piramal Structured Credit Opportunities Fund	25%	Equity Method
Shrilekha Business Consultancy Private Limited	74.95%	Equity Method
List of Associates		
Bluebird Aero Systems Private Limited	27.83%	Equity Method
Allergan India Private Limited	49.0%	Equity Method
Shriram Capital Limited	20.0%	Equity Method

***Source:** Company, Annual Report*

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