ICRA

February 15, 2017

Piramal Enterprises Limited

Instruments*	Amount Rated (Rs. crore)	Ratings
Non Convertible Debentures	11,000.0	[ICRA]AA(Stable) outstanding
Commercial Paper / Short term debt	9000.0	[ICRA]A1+ outstanding
Long term: Fund based limits (Note)	1,100	[ICRA]AA(Stable) outstanding
Term Loan/Corporate Loan	4,325	[ICRA]AA(Stable) outstanding
Short term: Fund based limits (Note)	300.0	[ICRA]A1+ outstanding
Short term: Non fund based limits (proposed)	200.0	[ICRA]A1+ outstanding

Note: Short term fund based limits are interchangeable between Long-Term and Short-Term fund based limits though total utilization should not exceed Rs. 300.0 crore

ICRA has a long-term rating outstanding of [ICRA]AA (pronounced as ICRA double A) for the Rs. 3,925.00 crore term loan, Rs. 400.00 crore corporate loan, Rs. 1,100.00 crore long term fund based limits and Rs. 11,000.00 crore Non convertible debenture programme of Piramal Enterprises Limited. The long term rating carries stable outlook. ICRA also has a short-term rating outstanding of [ICRA]A1+ (pronounced ICRA A one plus) for the Rs. 9,000.00 crore Commercial Paper programme / Short term debt , Rs. 300.00 crore short term fund based limit and Rs. 200.00 crore short term non-fund based limits. The Rs. 300.00 crore short term fund based limits are interchangeable with long term fund based limits though the total utilisation should not exceed Rs. 300.00 crore.

Piramal Enterprises Limited operates in three different business segments primarily Pharmaceuticals covering CRAMS, Critical Care, Consumer Products and Drug Discovery; Healthcare Information Analytics and Financial services business through own lending as well as through its 100% subsidiary Piramal Finance Limited (rated [ICRA]AA/Stable/A1+).

Over the past two years, the company has made significant in-organic investments (more than Rs. 3,000 crore) for scaling up its Pharmaceutical business in addition to several acquisitions (exceeding Rs. 4,000 crore) made in the past for building up its Healthcare Analytics business initially through acquisition of DRG and Abacus International, UK in CY2012 followed by Healthcare Business Insights and Adaptive Sofware LLC. In the Pharmaceutical space, significant in-organic investments include acquisition of Coldstream Laboratories, USA and Ash Stevens Inc. for CRAMS business; Baby care brand Little, Five trademarks from Organon India Private Limited and four brands from Pfizer Limited for Consumer Product division; and portfolio of generic injectible drugs from Janssen Pharmaceutica and Mallinckrodt LLC for Critical Care division.

Further, strong growth of financial services led to significant scale up of group lending portfolio to Rs. 19,170 crore as on Sep-16 (from Rs. 2,681 crore in March 2014) coupled with investments in Shriram Group totaling for Rs. 4,538 crore. The company has stated its intentions to de-merge the financial services business and residual business (Pharmaceutical and Healthcare Analytics) in the near term and to that effect transferred lending portfolio worth Rs. 12,738 crore and loans of Rs. 11,319 crore from Piramal Enterprises Limited to Piramal Finance Limited during Q2FY2017. The above mentioned debt funded acquisitions and scale up of lending portfolio have consumed liquidity generated from sale of domestic formulations business to Abbott in 2010 (sold for approximately Rs. 17,140 crore) in addition to assuming net debt of Rs. 22,300 crore as on Sep-16.

ICRA takes note of the fact that debt funded acquisitions for residual businesses (Pharmaceutical and Healthcare Analytics) along with lower profitability for businesses such as Consumer Products and CRAMS have impacted the debt protection matrix. Consumer Product business, in line with its strategy, has made significant investments in the past to build distribution reach with EBIDTA breakeven in CY 2016 and ICRA expects the margins to improve going forward. ICRA continues to monitor the impact of Piramal’s acquisitions on profitability & market share besides improvement in operating cash flows. Moreover PEL’s ability to monetize some of its investments to improve liquidity profile of the residual businesses and improvement in debt protection metrics remain important in maintaining its credit profile.

About the Company

PEL is part of the Ajay Piramal group of companies. The Group is a diversified Indian business house with interests in healthcare, glass manufacturing and financial services. A significant part of PEL's growth, especially in its early years has been contributed through in-organic growth.

In 1988, the group acquired Nicholas Laboratories (NL), which was a Sara Lee group company (NL was incorporated in 1947 to manufacture pharmaceutical formulations by the Nicholas Kiwi group). Following its acquisition, the group changed NL's name to Nicholas Piramal India Limited. Subsequently, the company continued to grow by acquisitions – a pattern that has been historically followed by the group – acquiring Roche Products India in 1993, Sumitra Pharma in 1994, Boehringer Mannheim in 1997, R&D division of Hoechst in 1998, Rhone Poulenc India in 2000-01, the pharma division of ICI in 2002, and Sarabhai Piramal (remaining 50% stake) in 2003-04. In recent years, the company has also undertaken acquisitions in the critical care and OTC segments in order to strengthen their product profile and geographic presence.

In May 2010, PEL announced the sale of its domestic formulation business which manufactures, markets and sells branded pharmaceuticals in India, Nepal and Sri Lanka to Abbott for a total consideration of US$ 3.8 billion. PEL also sold its majority stake (97.5%) in Piramal Diagnostic Services Private Limited (PDPSL) to Super Religare Limited for a total consideration of Rs. 600 crore.

The company has forayed into the financial services industry (NBFC, PE business and acquisition of various stake in Shriram Group) and Healthcare Information Analytics (Acquisition of Decision Resource Group). Presently, PEL's presence in healthcare is restricted to CRAMS, Critical care, OTC and Imaging R&D portfolio.

Recent Results

On a consolidated basis PEL reported operating Income of Rs. 6610 crore, OPBDITA of Rs. 1,872 crore and Profit after Tax of Rs. 791 crore for FY2016. During H1 FY2017, PEL reported Operating Income of Rs. 3,742 crore and Profit after Tax of 427 crore.

Status of non-cooperation with previous CRA: Not Applicable. If Applicable then the relevant information should be captured under this section

Any other information: Not Applicable**.** Applicable if there is additional information, over and above the standard information captured in this PR that requires a mention.

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	**Rated amount (Rs. Crores)**	**Rating Outstanding**	**Month - year & Rating in FY2016**	**Month - year & Rating in FY2015**	**Month - year & Rating in FY2014**
				Feb 2017	**Feb 2016**	**July 2014**	**Dec 2013**
1	NCD	Long term	11,000	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	CP	Short term	9,000	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Fund based	Long term	1,100*	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
4	Term loans	Long term	4,325	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
5	Non-fund based	Short term	200	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Fund-based	Short term	300*	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

*****: Short term fund based limits are interchangeable between Long-Term and Short-Term fund based limits though total utilization should not exceed Rs. 300.0 crore

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
Details of Instruments – Rating rationale for any rating action taken by ICRA for rated instruments will carry details of instruments.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

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