

Piramal Enterprises Limited

November 26, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	9,000.00	9,000.00	[ICRA] A1+; outstanding
Long Term/Short Term Fund Based	300.00	300.00	[ICRA] AA (stable)/[ICRA] A1+; outstanding
Long Term - Fund Based TL	2,495.00	2,495.00	[ICRA] AA (stable); outstanding
Short Term Non-Fund Based	200.00	200.00	[ICRA] A1+; outstanding
Short Term Fund based	2,120.00	2,120.00	[ICRA] A1+; outstanding
Long Term- NCD/Debt	10,100	10,100.00	[ICRA] AA (stable); outstanding
Long Term – NCD/Debt	-	1,000.00	[ICRA] AA (stable); assigned
Total	24,215	25,215	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned long-term rating of [ICRA] AA (pronounced ICRA double A) to the Rs. 1,000.0 crore NCD programme of Piramal Enterprises Limited. ICRA has an outstanding rating of [ICRA] AA to the Rs. 10,100.0 crore non convertible debenture programme, Rs. 2,495.0 crore term loans and Rs. 300.0 crore long term fund based limit. The outlook on the long-term rating remains Stable.

ICRA has also has outstanding ratings of [ICRA] A1+ (pronounced ICRA A one plus) to the Rs. 2,120.0 crore short term fund based limits, Rs. 300.0 crore short term fund based limits, Rs. 9,000.0 crore Commercial Paper Programme, Rs. 200.0 crore short term non-fund based limits and. Out of the above Rs. 300.0 crore fund based limits are interchangeable between long term and short term though total utilisation should not exceed Rs. 300.0 crore.

Rationale

The reaffirmation factors in the strength derived from an established track record of the promoter group in building and scaling successful businesses lead by a strong and experienced management team. The ratings also favourably factor in the established position and wide product portfolio of PEL in the global pharmaceutical business coupled with its geographical diversification. The company has end-to-end manufacturing of Active Pharmaceutical Ingredients (APIs) and formulations at its accredited manufacturing facilities with superior quality and processes. The company has cleared multiple regulatory and customer audits over the years along with no remarks in any FDA audit. It has an entrenched portfolio of differentiated and niche pharmaceutical products while being a global player in the inhalation anesthetic segment. PEL is one of the top five players in the domestic Over the Counter (OTC) segment with 18 popular brands and a pan India distribution network. The ratings also factor in the financial flexibility of PEL supported by its refinancing and capital raising capabilities along with unutilised bank lines and investments in listed Shriram group.

ICRA takes note of the fact that large debt funded acquisitions undertaken in the past coupled with lower profitability for residual businesses (excluding financial services business) have impacted the debt protection matrix of PEL for such businesses.

This coupled with various investments and outstanding receivables from its financial services business has led to increase in debt levels for residual businesses. ICRA expects the debt level to pare down in near term on completion of transfer of loan book, receipts from financial services business as well as monetization of other investments. Moreover, PEL's ability

to monetize some of its investments to improve liquidity profile of its residual business and improvement in debt protection metrics remains important in maintaining its credit profile.

Outlook: Stable

The outlook on the long-term rating is Stable as ICRA believes PEL will continue to benefit from experience and strong track record of promoter in scaling up the residual business to reach desired level of profitability. The outlook may be revised to 'Positive' if there is a substantial growth in revenue and profitability for residual businesses coupled with strengthening of capital structure and improvement in credit metrics. The outlook may be revised to 'Negative' if cash accrual is lower than expected, delay in reduction in debt levels or substantial debt funded acquisition by Piramal Enterprises Limited.

Key rating drivers

Credit strengths

Strong position for the Global Pharma business: PEL has product portfolio of niche differentiated branded generics products that are difficult to manufacture, sell and distribute; end to end accredited contract manufacturing capabilities both for active pharmaceutical ingredients (APIs) and formulations, and a large global distribution network reaching to over 100 countries. PEL is among the few Indian pharmaceutical companies whose facilities have cleared audits conducted by global regulatory agencies, without material observations or stoppage of work. Since 2011, it has cleared 32 US FDA inspections and high number of regulatory and customer audits without any adverse observations. This reflects the company's superior product quality and processes. The revenues are geographically diversified with 70% of revenues coming from USA and Europe. Further, PEL caters to 7 out of the top 10 pharma companies. In the critical care segment comprising inhalation anaesthetics the company is a leading global player having a wide product portfolio.

Healthy growth prospects for OTC business: Strong portfolio created through organic and inorganic route with eight brands among top 100 OTC brands of India. This division has an entrenched distribution network with a direct reach to 4.2 lacs outlets in 2000 towns in India with a field force of 2100 people.

Liquidity profile supported by investments in Shriram group, unutilised bank lines, strong promoter group and investments in Piramal Capital Housing Finance Limited as holding company: The liquidity profile of PEL remains supported from listed investments in Shriram group, unutilised bank lines as well as strong promoter group with stated intention to infuse equity, if required. PEL has successfully completed the QIP (approximately Rs. 5,000.0 crore) and rights issue (approximately Rs. 2,000 crore) during FY2018, which is used to grow its financial services and residual business. Further, PEL's status as the holding company of Piramal Capital Housing Finance Limited provides it with financial flexibility to raise funds through equity dilution.

Credit challenges

Weak operating cash flows and return indicators for residual businesses: The operating cash flows of PEL excluding financial services business remains weak on account of heavy organic investments in building OTC business, scale up of Global Pharma business and weak operating performance of Healthcare Analytics business. The return indicators (RoCE) are impacted on account of various acquisitions primarily for Global Pharma and Healthcare Analytics business, which are yet to generate desired level of returns.

Financial profile characterised by leveraged capital structure and weak debt protection matrix: Over the past two years, the company has made significant in-organic investments (more than Rs. 3,000 crore) for scaling up its Global Pharma and OTC business in addition to several acquisitions (exceeding Rs. 4,000 crore) made in the past for building up its Healthcare Analytics business. This coupled with various investments and outstanding receivables from its financial services business has led to increase in debt levels for residual businesses. ICRA expects the debt level to pare down in near term on completion of transfer of loan book, receipts from financial services business as well as monetization of

other investments. With significant debt repayments, Company's ability to refinance existing loans in the near term remains key deliverable though management has demonstrated strong past track record and the same is expected in future.

Liquidity Position:

The company's liquidity position remains supported from its strong promoter group, unencumbered listed investments in Shriram group, past track record of successfully refinancing debt repayments and unutilized bank lines. The company is also expected to demerge the financial services business in the near term which is currently operated as wholly owned subsidiary of Piramal Enterprise Limited. This will allow company to dilute equity, if required for liquidity purposes.

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 considered the consolidated financials of Piramal Enterprises Limited. However, the following entities have been excluded from the consolidated financials to make a distinction between the manufacturing/ services business and the financial services business (Lending). The entities are: Piramal Capital and Housing Finance Limited, Piramal Fininvest Private Limited. However, the analysis of the Piramal Enterprises Limited does take into account the ongoing and future funding support likely to be extended by it to the above entities. Such funding support is assessed based on factors such as expected growth in the financial services business, expected losses for which support from the Piramal Enterprises Limited might be required, capital adequacy and solvency ratio requirements, besides our expectation that Piramal Enterprises Limited will maintain a certain ownership level.

About the company:

Piramal Enterprises Limited (PEL) is one of India's largest diversified companies, with an established presence in Pharmaceuticals (CRAMS, Critical Care, OTC), Healthcare Insights & Analytics and Financial Services. PEL's consolidated revenues were over Rs. 10,631 crore in FY2018, with ~46% of revenues generated from outside India. In pharmaceuticals it has end-to-end manufacturing capabilities across 13 global facilities for APIs and formulations and a large global distribution network to over 100 countries. PEL sells a portfolio of niche differentiated pharma products (top global provider of inhalation anaesthetics) and provides an entire pool of pharma services (including in the areas of injectable, high potency active pharmaceutical ingredients -HPAPI etc.). The Company is also strengthening its presence in the OTC segment in India with 18 well renowned brands and being the fifth largest player in the country. PEL's Healthcare Insights & Analytics business provides healthcare analytics, consulting services and data & insight into products and services to the world's leading pharmaceutical, biotech and medical technology companies. In Financial Services, PEL provides financing solutions primarily to real estate companies through its own funds as well as through private equity route. The total funds under management under all these businesses are ~Rs. 52,973 crore as on September 2018. Piramal Finance Limited (PFL) and Piramal Capital Limited (PCL) were merged, effective March 31, 2018 to form Piramal Capital and Housing Finance Limited comprising both wholesale and retail business. The Company also has strategic alliances with top global funds such as APG Asset Management, Bain Capital Credit, CPPIB Credit Investment Inc. and Ivanhoé

Cambridge. PEL has long term equity investments in Shriram Group, a leading financial conglomerate in India. PEL is listed on the BSE Limited and the National Stock Exchange of India Limited in India.

Key financial indicators (audited)

	FY2016	FY2017	FY2018
Operating Income (Rs. crore)	6,341.5	8,503.7	10,631.0
PAT (Rs. crore)	710.5	1,082.1	4,840.2
OPBDIT/OI (%)	26.4%	41.1%	48.5%
RoCE (%)	7.2%	9.1%	8.6%
Total Debt/TNW (times)	1.3	2.0	1.7
Total Debt/OPBDIT (times)	9.7	8.7	8.6
Interest coverage (times)	1.7	1.7	1.7

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	Date & Rating	Date & Rating	Date & Rating
				Nov 2018	April 2018	Feb 2017	Feb 2016
Fund based	Long-term/Short-term	300.00	185.00	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+	[ICRA] AA (stable)/ [ICRA] A1+
Term Loan	Long term	2495.00	1923.33	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)
NCD	Long-term	11100.00	4875.00	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)	[ICRA] AA (stable)
Non-fund based	Short-term	200.00	22.85	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
Fund-based facility	Short-term	2120.00	1735.00	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+
Commercial paper	Short Term	9000.00	8637.00	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

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
NA	Term Loan 1	29-Jan-16		31-Jan-20	200.00	[ICRA] AA/stable
NA	Term Loan 2	29-Dec-16		29-Jun-19	175.00	[ICRA] AA/stable
NA	Term Loan 3	16-Mar-17		16-Sep-19	100.00	[ICRA] AA/stable
NA	Term Loan 4	16-Aug-17		-	100.00	[ICRA] AA/stable
NA	Term Loan 5	31-Jul-17		-	500.00	[ICRA] AA/stable
NA	Term Loan 6	27-Sep-17		-	150.00	[ICRA] AA/stable
NA	Term Loan 7	27-Sep-17		29-Mar-19	150.00	[ICRA] AA/stable
NA	Term Loan 8	27-Dec-17		28-Dec-19	520.00	[ICRA] AA/stable
NA	Term Loan 9	19-Sep-17		-	100.00	[ICRA] AA/stable
NA	Term Loan 10	27-Sep-18		25-Sep-20	500.00	[ICRA] AA/stable
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	5-Sep-17		-	75.00	[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	Line of credit/ST Loan	27-Feb-18		-	350.00	[ICRA] A1+
NA	Line of credit/ST Loan	5-Sep-17		-	75.00	[ICRA] A1+
NA	Fund Based	NA	NA	NA	300.00	[ICRA] AA/stable/A1+
NA	Non- Fund Based	NA	NA	NA	200.00	[ICRA] A1+
NA	Commercial Paper				9000.00	[ICRA] A1+
INE140A07120	NCD	1-Mar-16	9.40%	28-Feb-19	50.00	[ICRA] AA/stable
INE140A07161	NCD	23-Jun-16	9.57%	21-Jun-19	65.00	[ICRA] AA/stable
INE140A07179	NCD	14-Jul-16	9.75%	14-Jul-26	35.00	[ICRA] AA/stable
INE140A07187	NCD	18-Jul-16	9.45%	15-Jul-19	50.00	[ICRA] AA/stable
INE140A07195	NCD	18-Jul-16	9.45%	30-Jul-19	100.00	[ICRA] AA/stable
INE140A07203	NCD	19-Jul-16	9.57%	19-Jul-21	10.00	[ICRA] AA/stable
INE140A07211	NCD	19-Jul-16	9.75%	17-Jul-26	5.00	[ICRA] AA/stable
INE140A07229	NCD	20-Jul-16	9.45%	5-Jun-19	150.00	[ICRA] AA/stable
INE140A07237	NCD	20-Jul-16	9.45%	15-Jul-19	150.00	[ICRA] AA/stable
INE140A07252	NCD	29-Jul-16	9.38%	29-Jul-19	200.00	[ICRA] AA/stable
INE140A07260	NCD	29-Jul-16	9.38%	12-Aug-19	15.00	[ICRA] AA/stable
INE140A07302	NCD	18-Aug-16	9.264%	15-Apr-19	100.00	[ICRA] AA/stable
INE140A07310	NCD	25-Aug-16	9.267%	15-Apr-19	10.00	[ICRA] AA/stable
INE140A07328	NCD	26-Aug-16	9.267%	15-Apr-19	20.00	[ICRA] AA/stable
INE140A07344	NCD	15-Jun-17	8.15%	14-Jun-19	560.00	[ICRA] AA/stable
INE140A07351	NCD	20-Jun-17	8.13%	20-Jun-19	600.00	[ICRA] AA/stable
INE140A08SW7	NCD	23-Jun-17	8.20%	27-Jul-20	125.00	[ICRA] AA/stable
INE140A07369	NCD	27-Jun-17	8.13%	27-Jun-19	500.00	[ICRA] AA/stable
INE140A07377	NCD	11-Aug-17	7.90%	11-Aug-20	100.00	[ICRA] AA/stable
INE140A07385	NCD	14-Sep-17	7.90%	14-Sep-20	330.00	[ICRA] AA/stable
INE140A07393	NCD	15-Sep-17	7.60%	15-Mar-19	200.00	[ICRA] AA/stable
INE140A07401	NCD	16-Nov-18	9.00%	15-May-20	500.00	[ICRA] AA/stable

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE140A07419	NCD	22-Nov-18	9.30%	22-Nov-19	100.00	[ICRA] AA/stable
INE140A07427	NCD	22-Nov-18	9.70%	20-Nov-20	900.00	[ICRA] AA/stable

Source: Company

ANALYST CONTACTS

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Gaurav Jain

+91 20 6606 9122

gaurav.jain@icraindia.com

Vanshika Gupta

+91 20 6606 9919

vanshika.gupta@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2018 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents