

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Suraksha Asset Reconstruction Private Limited (SARPL)

January 1, 2019

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Proposed Commercial Paper	600.00	Provisional IVR A1+ (SO) [Provisional IVR A One Plus (Structured Obligation)]	Assigned

**Based on corporate guarantee from Lakshdeep Investment and Finance Private Limited (LIFPL). The corporate guarantee shall be backed by pledge of shares held by LIFPL, Khyati Realtors Private Limited, Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Khyati Valia and Mrs. Shraddha Panchamia in Sun Pharmaceutical Industries Limited (Sun Pharma) and/or Sun Pharma Advanced Research Company Limited (SPARC).*

Details of Facility are in Annexure I

Detailed Rationale

The ratings derive comfort from the credit enhancement provided in the form of corporate guarantee from Lakshdeep Investment and Finance Private Limited (LIFPL), which is backed by pledge of shares held by LIFPL, Khyati Realtors Private Limited, Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Khyati Valia and Mrs. Shraddha Panchamia in Sun Pharmaceutical Industries Ltd (Sun Pharma) and/or Sun Pharma Advanced Research Company Limited (SPARC), defined transaction structure & payment mechanism, good credit quality of Sun Pharma and resourceful promoter. The rating also takes into consideration the inherent volatility in the stock market. The performance of the shares of Sun Pharma is the key rating sensitivity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Credit Enhancement in the form of Guarantee backed by pledge of shares

The proposed CPs of Suraksha Asset Reconstruction Private Limited (SARPL) shall be backed by unconditional & irrevocable guarantee given by Lakshdeep Investment and Finance Pvt Ltd (LIFPL). The corporate guarantee shall be backed by a pledge of shares of Sun Pharma and/or Sun Pharma Advanced Research Company Limited (SPARC) held by

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LIFPL, Khyati Realtors Private Limited, Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Khyati Valia and Mrs. Shraddha Panchamia. The shares to be pledged shall provide a cover of 1.75 times at the time of the issuance of the CPs.

Defined transaction structure and payment mechanism

The proposed hard pledge of shares shall provide a cover of 1.75X the issue size of the CP. In the event of a fall in the share price of Sun Pharma and/or SPARC, leading to the cover falling below 1.60X, the shares would be topped up to the level of cover at the time of the issue (i.e. 1.75X). The top up would be done by pledging additional shares of Sun Pharma and/or SPARC held by LIFPL, Khyati Realtors Private Limited, Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Khyati Valia and Mrs. Shraddha Panchamia. The time period allowed for the top up or repayment is proposed to be three trading days from the trigger breach i.e., when the trigger breach in this case being the cover falling below the level of 1.60X. In the event of failure to top up, the CPs shall be repaid. To give effect to the aforesaid transaction into a binding agreement, a Trustee Agreement, Deed of Guarantee and a Share Pledge Agreement shall be entered into between/amongst the concerned parties.

Good Credit Quality of Sun Pharmaceutical Industries Ltd.

Promoted by Mr. Dilip Shanghvi, Sun Pharmaceutical Industries Ltd. (Sun Pharma) is supported by 42 manufacturing facilities spread across six continents and R&D centres across the globe. Its footprint covers over 100 markets (including 6 markets in Western Europe). Sun Pharma is supported by strong R&D capabilities comprising about 2,000 scientists and R&D investments of approximately 8% of annual revenue. Sun Pharma is the fourth largest specialty generic company globally.

Sun Pharma reported a gross revenue of Rs.26489 crore and PAT of Rs.2608 crore for FY18. It had a Net Worth of Rs.31260 crore as on March 31, 2018. The market capitalization of Sun Pharma stood at around Rs.101873 crore as on December 28, 2018.

Resourceful Promoter

Lakshdeep Investment and Finance Private Limited (LIFPL) is a part of Sudhir Valia group having significant stake in Sun Pharmaceutical Industries Limited and Sun Pharma Advanced Research Company Limited. Direct holding of LIFPL in Sun Pharmaceutical Industries

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Limited (Sun Pharma) and Sun Pharma Advanced Research Company Ltd. (SPARC) is 1.50% and 1.59% respectively.

Volatility in the stock market

Indian capital market, by its nature, is volatile arising out of many developments taking place in the social and economic front both at the national and international levels. Despite a particular equity scrip continuing to remain fundamentally strong, the market price of such scrip may get adversely impacted due to the market behaviour. As the collateral cover for debt servicing, in the instant case, is in the form of equity investment in a listed company, the same is exposed to the risk of market volatility. However, 1.75x security cover provides margin against the volatility.

Analytical Approach & Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Rating Methodology for Financial Institutions/NBFCs Financial

Ratios & Interpretation (Financial Sector)

Structure Debt Transaction (Non-securitisation Transaction)

Liquidity

The company's operating income for FY18 stood at Rs.44.94 crore. The corporate guarantee from LIFPL backed by the pledge of shares of Sun Pharma and/or SPARC held by LIFPL, its subsidiary and individual directors – Mr. Sudhir Valia and family also enhances the credit profile.

About the Company

Suraksha Asset Reconstruction Private Limited (SARPL) is an ARC registered with the Reserve Bank of India under section 3 of SARFAESI (Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest) Act, 2002, for carrying out the business of asset securitization and/or reconstruction in terms of the provisions of this act. The company was incorporated in October 2015 as a private limited company and received its

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ARC license in September 2016. SARPL is promoted by Mr. Sudhir Valia. The company has Assets under Management (AUM) of Rs.4099 crore as on March 31, 2018.

Financials (Standalone)

(Rs. Crore)

For the year ended	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	0.68	44.94
Net Interest Income	(0.03)	(27.42)
PAT	0.09	6.65
Total Debt	48.65	680.06
Tangible Net worth	99.96	132.03
<u>Ratios (%)</u>		
a. PAT Margin	13.14	14.79
b. Overall Gearing ratio	0.49	5.15
c. CAR	NA	16.10

**Classification as per Infomerics standards*

About the Guarantor Company

Lakshdeep Investment and Finance Pvt. Ltd. (LIFPL), the guarantor for SARPL, is a registered NBFC, which primarily operates as an investment company. It is a Non Deposit Taking NBFC and by virtue of its asset size being below Rs.500 crores, it is not a Systemically Important NBFC. It is promoted by Mr. Sudhir Valia and family. Mrs. Raksha Valia and Mrs. Shraddha Panchamia – spouse and daughter of Mr. Sudhir Valia respectively, are directors of LIFPL.

Financials (Standalone)

(Rs. Crore)

For the year ended	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	8.54	0.03
PAT	12.38	12.09
Total Debt	0.00	0.00
Tangible Net worth	367.87	379.95

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Ratios (%)		
a. PAT Margin	57.03	95.73

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Disclosure

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Proposed Commercial Paper	Short Term	600.00	Provisional IVR A1+ (SO) (Provisional IVR A One Plus (Structured Obligation))	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facility

Name of Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crore)	Rating Assigned/ Outlook
Short Term Instrument – Proposed Commercial Paper	-	-	-	600.00	Provisional IVR A1+ (SO) [Provisional IVR A One Plus (Structured Obligation)]