

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Suraksha Realty Ltd.

January 29, 2019

Rating

Instrument / Facility	Amount	Rating	Rating Action
Commercial Paper	Rs.650.00 crores*	IVR A1+ (SO) (IVR A One Plus [Structured Obligation])	Reaffirmed
	Rs.500.00 crores [#]		

**Based on guarantees from Lakshdeep Investments and Finance Private Limited (LIFPL) and pledge of shares of Sun Pharmaceutical Industries Ltd (Sun Pharma) held by LIFPL and / or Shanghvi Finance Private Limited (SFPL) and / or Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Shraddha Panchamia and / or Mrs. Khyati Valia*

[#]Based on guarantees from LIFPL and/or Khyati Realtors Private Limited (KRPL) and pledge of shares of Sun Pharma held by LIFPL and/or KRPL and/or SFPL and / or Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Shraddha Panchamia and / or Mrs. Khyati Valia

Details of Facility are in Annexure 1

Detailed Rationale

The ratings derive comfort from the credit enhancement provided in the form of guarantee backed by pledge of shares in Sun Pharmaceutical Industries Ltd (Sun Pharma) with 1.75X cover, 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 and the falling trend in the pharma sector stock prices. The performance of the shares of Sun Pharma is the key rating sensitivity.

List of Key Rating Drivers

- Credit Enhancement in the form of Guarantee backed by pledge of shares held in Sun Pharma
- Defined transaction structure and payment mechanism
- Good Credit Quality of Sun Pharmaceutical Industries Ltd
- Resourceful Promoter
- Volatility in the stock market



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Detailed Description of Key Rating Drivers

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

The CPs of SRL are backed by unconditional & irrevocable guarantee given by the Lakshdeep Investments and Finance Pvt Ltd (LIFPL) and / or Khyati Realtors Pvt Ltd (KRPL), backed by a pledge of shares of Sun Pharma held by LIFPL and KRPL. In addition the CPs are also secured by shares held by Shanghvi Finance Private Limited (SFPL), Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Shraddha Panchamia and Mrs. Khyati Valia in Sun Pharma. The shares to be pledged shall provide a minimum cover of 1.75 times the CP issuances of SRL.

Defined transaction structure and payment mechanism

The issuer (i.e., SRL) will deposit the money to be paid to the CP investors in a designated account with an Issuing and Paying Agent (a commercial bank with A1+ rating) three business days before the repayment date of the CPs. In case this does not happen, the Trustee to the issue, in consultation with the investor, will decide the course of action, including execution of guarantee and sale of pledged equity shares of Sun Pharma, as aforesaid.

The hard pledge of shares provide a minimum cover of 1.75X the issue size of the CP. In the event of a fall in the share price of Sun Pharma, leading to the cover falling below 1.60X, the shares would be topped up to the minimum required level of cover (i.e. 1.75X), failing which the CPs shall be repaid. The top up would be done by pledging additional shares of Sun Pharma held by LIFPL and / or KRPL and / or SFPL and / or Mr. Sudhir Valia, Mrs. Raksha Valia, Mrs. Shraddha Panchamia and / or Mrs. Khyati Valia. The time period allowed for the top up or repayment is three trading days from the trigger breach; the trigger breach in this case being the cover falling below the level of 1.60X. To give effect to the aforesaid transaction, 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) was originally formed as a partnership firm, which was later converted into a public limited company in 1993. Sun Pharma's global presence is supported by 42 manufacturing facilities



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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 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.98,742 crore as on January 28, 2019.

Resourceful Promoter

LIFPL and its wholly owned subsidiary, KRPL and SRL are promoted by Sudhir Valia group spearheaded by Mr. Sudhir Valia. Mr. Valia is a qualified Chartered Accountant and currently serves as a Wholtime Director of Sun Pharma. He also served as the Chief Financial Officer of Sun Pharma Advanced Research Company Limited during July 2014 to January 2017 and has remains a Non-executive Director since then. He was selected by CNBC as the “CFO of the Year” in 2006, 2009 & 2012, in the Pharma Sector.

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: Infomerics has taken in to account the various structural features in the transaction

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

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Structure Debt Transaction (Non-securitisation Transaction)

About the Company

SRL was originally incorporated as a Partnership Firm named “Suraksha Realtors”. Further, on 1st April, 2008 it got converted into public company. It is part of the Sudhir Valia group. The company is mainly engaged in the business of development of real estate and investment in real estate projects; however, its scale operation is low. The company also has investments in a wind power facility. The company is headquartered in Mumbai.

Financials (Standalone)

For the year ended / Rs. Crs	(Rs. Crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	40.7	10.8
EBITDA	33.1	4.7
Non-operating Income	171.7	169.2
Interest	144.8	155.5
PAT	54.2	14.2
Total Debt	2081.5	2034.0
Long Term Debt	818.6	757.9
Tangible Net Worth	507.4	895.5
<u>Ratios</u>		
<u>Profitability Ratios (%)</u>		
a. EBIDTA Margin	81.17	43.74
b. PAT Margin	133.09	132.03
<u>Solvency Ratios</u>		
<u>Long Term</u>		
a. Long Term Debt Equity ratio	1.61	0.85
b. Overall Gearing ratio	4.10	2.27

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About the Guarantor Companies

LIFPL, is a Non Deposit Taking NBFC, which primarily operates as an investment company. It is a part of the Sudhir Valia group. The company is headquartered in Mumbai.

Financials (Standalone)

For the year ended / Rs. Crs	(Rs. Crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	8.5	0.03
PAT	12.4	12.1
Tangible Net Worth	367.9	380.0

KRPL was incorporated in December 2003. It is a wholly owned subsidiary of LIFPL. KRPL is mainly engaged in the business of investing in real estate projects on a very small scale.

Financials (Standalone)

For the year ended / Rs. Crs	(Rs. Crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	47.0	44.9
PAT	3.7	4.3
Tangible Net Worth	97.6	101.9

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years:

S. 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.	Commercial Paper	Short Term	1150.00	IVR A1+ (SO) (IVR A	IVR A1+ (SO) (IVR A One Plus [Structured	--	--



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				One Plus [Structured Obligation])	Obligation] (October 30, 2017)		
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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.

Name and Contact Details of the Rating Analyst:

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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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Commercial Paper	-	-	-	650.00*	IVR A1+ (SO) (IVR A One Plus [Structured Obligation])
Commercial Paper	-	-	-	500.00 [#]	IVR A1+ (SO) (IVR A



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					One Plus [Structured Obligation]
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