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Suzlon Skirts Default as Bondholders Approve Extension on Debt

By Natalie Obiko Pearson - Jun 11, 2012

Suzlon Energy Ltd. (SUEL) skirted default on \$358 million of convertible bonds maturing tomorrow after investors approved a company request for a 45-day extension.

Bondholders voted to extend the maturity of the two notes until July 27 to allow the company to finalize a refinancing package with banks, the company said in an e-mailed statement today. Suzlon has the option to advance repayment by providing five days notice, it said.

India's biggest wind-turbine maker said last month it was in advanced talks with banks including SBI Capital Markets Ltd. for up to a \$300 million term loan to settle debt. The extension was sought as a cover for possible procedural delays, Vikas Rathee, Suzlon's head of corporate finance, said May 18.

Suzlon's \$175 million, 5 percent debt due April 2016 rose 0.1 percent today, Nomura Holdings Inc. prices show. It has rallied 7 percent since the company announced the expected \$300 million loan on May 18. Repayment of the loan will start at least 18 months after borrowing, Chief Financial Officer Kirti Vagadia said on May 29.

Suzlon reported an unexpected fourth-quarter loss of 3 billion rupees (\$54 million) on May 25 as sales declined and finance costs increased. It faces additional obligations, including \$200 million of convertible notes maturing in October and ongoing principal repayments and interest costs on 100 billion rupees of debt refinanced in 2010.

The Pune-based company seeks to sell as much as \$500 million in new, high-yield bonds later this year and raise as much as \$200 million by divesting "non-critical assets." It also expects to reduce the interest rate on borrowings by at least 150 basis points from about 13 percent by reorganizing debt across the group, Vagadia told analysts on May 29.

Suzlon's shares closed 1.1 percent higher at 18.20 rupees today before the announcement. The stock has fallen 65 percent over the past 12 months.

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