



Suzlon Energy Limited

	Amount	Rating Action
		May 2012
Long Term Loan	Rs 3,282 Crore	Rating revised from [ICRA] BBB- to [ICRA]BB; negative outlook retained
Working Capital Term Loan	Rs 56 Crore	Rating revised from [ICRA] BBB- to [ICRA]BB; negative outlook retained
Fund Based Limit#	Rs 1,346 Crore	Rating revised from [ICRA] BBB- to [ICRA]BB; negative outlook retained
Fund Based Limit#	Rs 1,346 Crore	Rating revised from [ICRA] A3 to [ICRA] A4
Non Fund Based Limit	Rs 3,334 Crore	Rating revised from [ICRA] A3 to [ICRA] A4

NOTE: AMOUNT IN RS CRORE;

#SHORT TERM FUND BASED LIMITS ARE SUBLIMIT TO THE LONG TERM FUND BASED LIMITS

ICRA has revised the rating of Suzlon Energy Limited (Suzlon) and its 8 Indian subsidiaries from [ICRA] BBB- (pronounced ICRA triple B minus) to [ICRA] BB (pronounced ICRA double B) for the long-term credit facilities and from [ICRA] A3 (pronounced ICRA A three) to [ICRA] A4 (pronounced ICRA A four) for the short term credit facilities[†]. The outlook on long term rating is negative. While arriving at the ratings, ICRA has looked at Suzlon Energy Limited on consolidated basis.

The rating revision takes into account the increasing liquidity pressures on the company because of the high working capital intensity in the business and continuing delays in recovery of some large debtors; higher debt level amidst challenging operating environment and significant refinancing risks associated with the funding arrangements for FCCB redemption liabilities of 360 Million USD due in June 2012. While the company is in advanced stages of negotiations for raising foreign currency facility to the tune of 300 Million USD from the banks, its ability to conclude the same in a timely manner remains key rating sensitivity, given the procedures involved for execution of loan documents as well as approvals from lenders. Meanwhile, the company has also asked for short term deferment with the bond-holders for making the payment which is due in June 2012. ICRA will continue to monitor the developments and take further rating action after the funding plans are finalised.

The ratings favourably factor the company's established market position in global Wind Turbine Generator (WTG) market, its strong order book position and favourable long term demand outlook in domestic WTG market driven by improved fiscal and regulatory measures. The ratings are however constrained by its stretched capital structure (net gearing at 2.1x times as on December 31, 2012, on consolidated basis), significantly high working capital intensity as reflected in high debtors, and uncertainty associated w.r.t. timeliness of recovery of the sticky debtors which are due for more than one year. ICRA notes that notwithstanding strong order-book position, ability to step-up the volumes and execute the orders in a timely manner so as to record sustained improvement in cash accruals and capital structure along with a prudent working capital management remains extremely crucial from credit perspective.

Company Profile

Suzlon Energy Ltd (Suzlon), incorporated by the Tanti Family in 1995, along with its subsidiaries is today one of the world's largest players in wind turbine manufacturing & wind energy solutions. As on September 30, 2011 promoters holds 54.84% stakes in Suzlon which has reduced to 52.76% as on

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



December 31, 2011. Mr. Tulsi R. Tanti is the Chairman & Managing Director of the company. Over the last few years, Suzlon along with its subsidiaries has established its presence in domestic market and currently accounts for dominant share in the domestic market.

In May 2007, Suzlon acquired 33.85% stake in REpower Systems SE which has been gradually raised to 100% over period of time. Repower is third largest WTG manufacturer in Germany, and Suzlon along with Repower is the fifth largest WTG manufacturer globally. SE Forge Ltd, incorporated in 2006 is forging arm of Suzlon wherein it caters to the forging requirement of wide array of industries including Wind Energy, Defence, Oil & Gas, Power and Others. As on December 31, 2011 Repower and SE Forge are wholly owned subsidiaries of Suzlon.

Recent Results

At consolidated level, for 9M FY12, the company has reported a net loss of Rs 178 crore (previous year: loss of Rs 1,535 crore) on an operating income of Rs 14,383 crore (previous year: Rs 10,603 crore).

May 2012

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