

CARE/HO/RL/2018-19/1050

Mr. Chetan Selarka

Chief Financial Officer

Swan Energy Limited

6, Feltham House, 10 J.N. Heredia Marg,

Ballard Estate, Mumbai – 400 001

April 02, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY17 (audited) and 9MFY18 (provisional), our Rating Committee has reviewed the following ratings:

Facility	Amount (Rs. crore)	Rating	Rating Action
Long-term Bank Facilities – Fund Based	60.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook Stable)
Short Term Bank Facilities – Non-Fund Based	60.00	CARE A4+ (A Four Plus)	Revised from CARE A4 (A Four)
Total	120.00 (Rs. One hundred twenty Crore Only)		

Details of instruments/facilities in Annexure-1

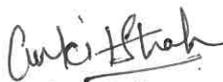
2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 03, 2018, we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Ankit Shah

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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.



Annexure 1
Details of Rated Facilities

1. Long-term facilities

1. A. Fund-Based Limits

Sr. No.	Banker / Lender	Type of Facility	Amount (Rs. Crore)
1	Union Bank of India	CC	37.00
2	Oriental Bank of Commerce	CC	13.00
3	Dena Bank	CC	6.00
4	The Mehsana Urban Co-op Bank	CC	4.00
	Total		60.00

CC – Cash Credit

Total long-term facilities as at Rs. 60.00 crore

2. Short-term facilities

2. A. Non-Fund-Based Limits

Sr. No.	Banker / Lender	Type of Facility	Amount (Rs. Crore)
1	Union Bank of India	LC/BG	43.50
2	Oriental Bank of Commerce	LC/BG	2.00
3	Dena Bank	LC/BG	8.50
4	The Mehsana Urban Co-op Bank	LC/BG	6.00
	Total		60.00

LC – Letter of Credit; BG – Bank Guarantee

Total short-term facilities as at Rs. 60.00 crore

Annexure 2
Press Release
Swan Energy Limited

Ratings

Facility	Amount (Rs. crore)	Rating	Rating Action
Long-term Bank Facilities – Fund Based	60.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook Stable)
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Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision of ratings assigned to the bank facilities of Swan Energy Limited (SEL) factors in successful equity dilution to part fund the equity requirement of FSRU project, receipt of OC for Kurla commercial property providing visibility for receipt of pending sale proceeds and monetisation of the land parcel in Goa.

The rating continues to factor in risks on back of significant exposure of the company to its subsidiaries in real estate sector as well as diversification into non-core FSRU project being executed by its subsidiary Swan LNG Pvt. Ltd. (SLPL) and Triumph Offshore Pvt. Ltd. (TOPL, pending financial closure for the FSRU project and high working capital utilisation. Further, the ratings are also constrained by refinancing risk at consolidated level arising from large repayment obligation vis-à-vis gross cash accruals.

The ratings continue to positively factor in the promoters' experience in textile and real estate business and presence of regasification agreement and experienced joint venture partners for FSRU project.

The ability of the company to achieve financial closure along with timely execution of FSRU project and the ability of other subsidiaries to successfully manage their real estate operations thereby reducing their future dependence on SEL for funding support would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters: The group is promoted by Mr Navinbhai Dave & Mr Nikhil Merchant. SEL, the flagship company of the group was earlier primarily into textile business. Later, the group ventured into property development in 2004. The group has successfully completed development of a residential complex in Sewri, Mumbai and a commercial IT Park in Kurla, Mumbai, by monetizing its own land bank (erstwhile textile mill). These projects were undertaken in association with Peninsula Land Ltd. (PLL) as joint development partner. Furthermore, the group now has presence into real estate sector through two companies, Cardinal Energy and Infrastructure Private Limited (CEIPL) and Pegasus Ventures Private Limited (PVPL) with a portfolio of commercial and residential real estate projects and in the energy sector through its subsidiaries SLPL and TOPL. The group is managed by a team of experienced professionals.

Receivables from Kurla project to be realised; Monetisation of land parcels: SEL during Q4FY18 has received the complete OC for the Tower D (final tower) of its Kurla project. With receipt of OC, the company can hand over the possession of the

tower and receive the balance Rs. 136 crore. The company in H2FY18, sold off a land parcel in Goa for Rs. 115 crore. According to the company the liquidity generated from monetisation of assets would be first utilised to honour SEL's equity commitments for its FSRU project, if required or will be used repay debt.

Stability in textile business: The textile business grew by 2.86% during FY17 to Rs. 325.49 crore. The revenue growth was aided by improvement in realisations by 5.81%. The segment reported PBIT margin of 6.83%. For 9MFY18, the company has reported PBIT margin of 6.33% on total income of Rs. 230.31 crore.

Key Rating Weakness

Significant exposure to subsidiaries: As on March 31, 2017, SEL on a consolidated basis had total debt of Rs. 820.93 crore as against a total debt of Rs. 816.94 crore as on March 31, 2016. SEL's exposure to its subsidiaries increased to Rs. 644.93 crore as of March 31, 2017 as against Rs. 644.93 crore as of March 31, 2016.

SEL is also implementing its FSRU project through two subsidiaries. The total cost of the project is estimated at about Rs. 6,027 crore. The project is proposed to be financed through senior debt: sub debt: equity of 70:20:10 i.e. debt of Rs. 4,822 crore of debt and balance of equity. As on date SEL has invested an amount of Rs. 478.95 crore as equity in the project. The company has partially achieved debt tie up of Rs. 1,500 crore for this project.

High working capital intensity: SEL's debt service indicators deteriorated in FY17 on account of incremental debt drawn to fund the operations and working capital requirements. The standalone debt as on March 31, 2017 stood at Rs. 185.85 crore as against Rs. 131.00 crore as of March 31, 2016.

As of March 31, 2017, overall gearing deteriorated to 0.42x as against 0.30x last year and during the same period total debt to GCA deteriorated from 25.56x to 22.63x. The company's working capital limits continue to remain almost fully utilised.

Large repayment obligation: The Company at consolidated level has significant amount of short term unsecured loans. The company's cash flows are inadequate to service the debt obligation necessitating refinance of the debt obligations.

Analytical approach: Standalone. Factoring the support to subsidiaries

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Financial ratios - Non-Financial sector

Criteria for Short Term Instruments

About the Company

Swan Energy Limited (SEL) was incorporated in the year 1909 as Swan Mills Limited by J.P. Goenka Group and taken over by Dave and Merchant families in 1992. SEL, originally in textile business, mills were located at Sewri & Kurla, Mumbai but same was discontinued in 2002 due to the downturn of the Indian textile industry particularly in Mumbai. SEL re-entered in textile business in 2011 by setting up a new plant at Ahmedabad, Gujarat for fabric processing with an annual capacity of 31.2 million meters. After closure of Mumbai textile units in 2002, SEL had large area of land available. As a strategic move & considering their prime location in the Mumbai city, company planned to convert all premises into lucrative real estate projects.

SEL ventured into property development in 2004. SEL completed a residential complex (Ashoka Garden) in Sewri and a commercial IT Park (Peninsula Techno Park) in Kurla by successfully monetizing its mill land bank. It entered into an agreement with Peninsula Land Limited (PLL) to develop and sell the Mumbai-based properties for which PLL received 22% of the gross sale proceeds.

SEL through its subsidiaries, Swan LNG Pvt. Ltd. and Triumph Offshore Pvt. Ltd. is setting up a Floating Storage and Regasification Unit (FSRU) project in Jafrabad, Gujarat with a regasification capacity of 5MMTPA of LNG. The said project is expected to be commissioned by April 2020 at a combined cost of Rs. 6,027 crore.

Also, SEL set up two wholly-owned subsidiaries; CEIPL and PVPL in FY08 and FY13, respectively. CEIPL and PVPL focus on development of commercial properties and residential properties respectively.

(Rs. crore)

Brief Financials	FY16 (A)	FY17 (A)
Total operating income	318.63	335.57
PBILDT	18.46	23.51
PAT	0.59	1.68
Overall gearing (times)	0.30	0.42
Interest coverage (times)	1.40	1.52

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE BB+; Stable
Non-fund-based-Short Term	-	-	-	60.00	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (22-Apr-16)	1)CARE BB+ (07-Apr-15)
2.	Non-fund-based-Short Term	ST	60.00	CARE A4+	-	1)CARE A4 (19-Apr-17)	1)CARE A4+ (22-Apr-16)	1)CARE A4+ (07-Apr-15)
3.	Fund-based - LT-Cash Credit	LT	60.00	CARE BB+; Stable	-	1)CARE BB; Stable (19-Apr-17)	1)CARE BB+ (22-Apr-16)	1)CARE BB+ (07-Apr-15)