

Press Release

Ligare Voyages Limited (LVL)

14 July, 2017



Rating Assigned

| | |
|-------------------------------------|------------------------|
| Total Bank Facilities Rated* | Rs.300.00 Cr |
| Short Term Rating | SMERA A4 (Assigned) |

*Refer Annexure for details

Rating Rationale

SMERA has short term rating of '**SMERA A4 (read as SMERA A four)**' on the Rs.300.00 crore bank facility of Ligare Voyaged Limited (LVL).

LVL incorporated in 2006 as Ran Air changed its name to Ligare Voyages Limited in 2012. LVL is the holding company for Ligare Group which is engaged in aviation industry. LVL is a 100 per cent subsidiary of RHC Holdings Private Limited. RHC Holding Private Limited (RHC) is a NBFC-ND-SI incorporated in 2007 and is the ultimate holding company for the Religare and Fortis group of companies. The company has interests in financial services (held via Religare Enterprises Limited), healthcare (held via Fortis Healthcare Holdings Private Limited), aviation (held via Ligare Aviation Limited), information technology and real estate. RHC was promoted by Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh.

List of key rating drivers and their detailed description

Strengths:

Experienced Management & Strong Parentage: LVL's credit risk profile is supported by its strong parentage. It is a subsidiary of RHC Holdings Private Limited (RHC). RHC is a Non-Banking Finance Company (NBFC), promoted by Mr. Malvinder Singh and Mr. Shivinder Singh, has substantial holding and investments in Religare Enterprises, SRL Diagnostics, Fortis Healthcare among several others. SMERA believes that LVL will continue receive ongoing support from RHC – as evident from the past. Going forward, SMERA expects LVL to refinance its debt obligations from both financial institutions and capital markets on account of the stated posture of support from RHC. RHC's cashflows are expected to remain contingent on its ability to monetize its assets and refinance its short term debt in a timely manner.

SMERA expects LVL to continue to receive financial, business and managerial support from its promoter group. Timely support from RHC shall continue to remain a key credit monitorable.

Weaknesses:

Weak Financial Risk Profile of subsidiaries: LVL's subsidiary companies are in net losses of over Rs. 300 crore against a consolidated operating income of Rs. 75 crore in FY2016. LVL is required to provide support to its subsidiaries and there is no substantial return from the investments on account of the weak risk profile of the subsidiaries.

Exposure to Refinancing Risk in its Group Entities: Any instance of default in any of the group entities can result in invocation of the corporate guarantee extended by LVL. Therefore, challenged

faced by LVL's subsidiaries in refinancing its debt can result in unprecedeted cash outflow from LVL. The rating centrally factors in RHC's ongoing support to this entity and to LVL.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Service Entities - <https://www.smerra.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>
- Group and Parent Support - <https://www.smerra.in/criteria-group.htm>

Outlook: Stable

SMERA believes that LVL will maintain a stable outlook over the medium on account of the continued support from RHC and experienced management. The outlook may be revised to positive in case of substantial improvement in the credit risk profile of RHC and/or marked improvement in the business and financial risk profile of LVL. Conversely, the outlook may be revised to negative in case of events affecting LVL's ability to refinance its existing debt obligations or delays in infusion of funds by RHC.

About the Rated Entity

For FY2016-17 (provisional), LVL reported net losses of Rs.302.24 crore on operating income of Rs.1.67 crore compared with net losses of Rs.84.98 crore on operating income of Rs. 3.71 crore in the previous year. The net worth stood at Rs. (44.96) crore as on 31 March, 2017 (provisional) compared to Rs.122.55 crore as on March 31, 2016.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: The International Court of Arbitration, Singapore has recently awarded damages of Rs. 3500 crore to Daiichi Sankyo in the proceedings over the sale of Ranbaxy Laboratories Limited (RLL) by RHC and others. RHC has contested the award in the Indian Courts and the matter is subjudice. Any adverse outcome will have a significant impact on the credit profile of RHC and potentially its ability to support its group companies. The credit profile of RHC and changes in the same shall be key monitorable.

SMERA also takes note of uncertainty regarding RHC's decision regarding continuing in the NBFC sector.

Rating History for the last three years: Not Applicable

*Annexure – Details of instruments rated:

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|--------------------------|------------------|-------------|---------------|-------------------------------|-----------------|
| Standby Letter of Credit | N.A | N.A | N.A | 300.00 | SMERA A4 |

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

Contacts:

| Analytical | Rating Desk |
|--|--|
| Vinayak Nayak, Head – Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |
| Hina Gupta, Rating Analyst, Tel: 022-67141111 Email: hina.gupta@smera.in | |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.