

Swiss Garniers Biotech Private Limited

December 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	53.62	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking No Default Statement from Swiss Garniers Biotech Private Limited (SGBT) to monitor the ratings vide email communications/letters dated November 05, 2024, December 09, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite No Default Statement for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Swiss Garniers Biotech Private Limited's bank facilities will now be denoted as **CARE BB-; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-receipt of monthly No default statement for the month of October 2024 and November 2024 despite repeated requests. The ratings assigned to the bank facilities of Swiss Garniers Biotech Private Limited are constrained by leveraged capital structure, weak debt coverage indicators, regulatory risks associated with pharmaceutical industry and high technology transfer costs. The ratings, however, derive strength from long standing relationship with customers, experienced promoters, and a well-qualified management team.

Analytical approach: Combined

CARE has taken a combined view of all the three entities of Swiss Garnier Group (SG group) viz. Swiss Garniers Biotech Private Limited (SGBT), Swiss Garnier Life Sciences (SGLS) and Swiss Garnier Genexiaa Sciences Private Limited (SGGS) as all the entities are managed by the same promoter family and are engaged in similar business of contract manufacturing of formulations. SGBT holds 19.36% stake in the in SGGS.

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on December 26, 2023, the following were the rating strengths and weaknesses, which has been updated with latest available information:

Key weaknesses

Moderation in scale of operations

TOI of the group has declined to Rs 328.20 Cr in FY24 (PY: Rs 351.41 Cr). The PBILDT margin of the group remained stable at 11.88% in FY24 (PY: 11.75%), albeit a drop in revenues.

Moderately Leveraged capital structure

The capital structure of SG Group remained leveraged with an overall gearing at 1.46x as on March 31, 2024 (PY: 1.75x). The gearing continues to remain leveraged at similar levels due to groups' borrowings from NBFCs and Unsecured loans from related parties.

Exposed to regulatory risk

The companies in the pharma industry are exposed to regulatory risk, as the industry is highly regulated in many countries and requires various approvals, licenses, registrations, and permissions for business activities. Apart from the initial approvals, the

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

ability of the companies to continue to observe the regulatory and current good manufacturing practice (CGMP) standards without receiving any critical observations from regulatory authorities are viewed critically.

Key strengths

Extensive experience of promoters

The promoter of the group has more than three decades of experience in the industry. Mr. M S Theivendran, Promoter of SG group, is a chemical engineer and has extensive industrial experience of around three decades. In April 2004, he and his wife set up Swiss Garnier Life Sciences (SGLS) at Baddi in Himachal Pradesh. While Mr Theivendran takes care of the operations, marketing and overall management of the group entities, his wife Ms T Rethinavalli takes care of finance, procurement, and HR related functions. The second line of management is in place with Mr. M.S. Theivandran's sons who are now part of the business. Mr. Vignesh Gandhi is a qualified post graduate medical professional and with certification in Healthcare Management program. Mr. Vishnu Gandhi is a Chemical Engineer and holds a Management certification, MBA.

Presence across therapeutic segments and capacity utilization

The group caters to diversified segments which includes Gastroenterology, Diabetology, Gynecology, Cariology, Pain Management and others, they offer more than 700 products across these segments. The group has witnessed an incremental increase in revenue from Cardiology, Diabetology and Gastroenterology. The overall utilization stands lower due to minimal utilization of Plant 2 of Swiss Garnier Genexiaa Sciences Private Limited (SGGS) considering the cost efficiency in operating high-capacity plant for smaller orders.

Long- Standing relationship with customers with high reliance on top customers

The group has maintained long standing relationship with customers like Lupin, Dr. Reddy's, Abbott and others. The top 10 customers comprise of around 55-60% of the TOI in FY23 marking high dependence on the mainstream pharmaceutical companies. The group has discontinued some of the products which were not contributing to the bottom line, and they plan to focus on offers from customers for higher volume and better margin. The group has made additions to their customer profile with entry of Novartis and Pharma & Medical Bureau of India (PMBI). The company has also participated in tenders under Pradhan Mantri Bhartiya Janaushadhi Pariyojana.

Liquidity: Stretched

The liquidity of the group is marked by tightly matched accruals to repayment obligations. At the time of last review, the total working capital limits stand at Rs.61 Cr with the average working capital utilization for both the entities (SGGS & SGBT) at 90%-95%. The WC Cycle stretched from 97 days as on Mar 2023 to 141 days as on Mar 2024 mainly on account of increased inventory holdings at 119 days (PY: 109 days). The group has cash and a bank balance of ₹11.92 Cr as on 31st Mar 2024 (PY: Rs 22.14 Cr).

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

SGBT was incorporated in February 2010 by Mr. M.S. Theivendran and his wife Ms. T Rethinavalli. SGBT is a part of the decade old SG Group and is engaged in the contract manufacturing of formulations for domestic as well as multi-national pharmaceutical companies. It started commercial operations in May 2010 in Baddi, Himachal Pradesh. The other two entities of the SG Group viz. SGGS and SGLS are based at Mehatpur (Himachal Pradesh) and Sikkim and are operational since May 2013 and May 2006 respectively. All the three entities of SG group are engaged in the contract manufacturing business of formulations and the product

line comprises tablets, capsules, soft gelatine, dry syrup, liquid and powdered orals, ointments, herbal, nutraceuticals, and other similar products.

Financial Performance (Combined financials of Swiss Garnier Group)

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income*	431.30	351.41	328.20
PBILDT	44.76	41.30	38.99
PAT	8.32	4.88	6.92
Overall gearing (times)	1.70	1.75	1.46
Interest coverage (times)	2.28	2.00	2.42

A: Audited UA: Unaudited; Note: these are latest available financial results.

*TOI calculated after netting off intercompany transaction.

Financial Performance (Standalone financials of SGBT)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	160.68	156.09	146.80
PBILDT	12.59	15.50	13.40
PAT	3.52	2.12	3.28
Overall gearing (times)	1.49	1.99	1.57
Interest coverage (times)	2.36	1.53	2.00

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.75	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	December 2033	22.87	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)Withdrawn (27-Jun-23)	1)CARE A4 (12-Dec-22)	-
2	Fund-based - LT-Term Loan	LT	22.87	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (26-Dec-23) 2)CARE BB; Stable (27-Jun-23)	1)CARE BB; Stable (12-Dec-22)	-
3	Fund-based - LT-Cash Credit	LT	30.75	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (26-Dec-23) 2)CARE BB; Stable (27-Jun-23)	1)CARE BB; Stable (12-Dec-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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