Fermenta Biotech Limited

December 26, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term bank facilities (Cash Credit)	34.00	**CARE BBB+ [Triple B Plus] (Credit watch with developing implications)**	**Placed on credit watch with developing implications**
Long-term bank facilities (Term loan)	8.75	**CARE BBB+ [Triple B Plus] (Credit watch with developing implications)**	**Placed on credit watch with developing implications**
Short Term Bank Facilities- LC/BG	5.25	**CARE A3+ [A Three Plus] (Credit watch with developing implications)**	**Placed on credit watch with developing implications**
Total	**48.00 (Rs. Forty Eight crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the rating assigned to the bank facilities of Fermenta Biotech Limited (FBL) under credit watch with developing implications following the consideration of a possible amalgamation/merger of Fermenta Biotech Limited (FBL) with DIL Limited and the possible impact of the same on the credit profile of FBL.

CARE is in the process of seeking additional information and clarifications from FBL. CARE will take a final view on the rating, once the exact implications of the above development on the business and overall credit profile of the FBL, are clear.

Detailed description of the key rating drivers: Not applicable

Analytical approach: Standalone

Applicable Criteria

[Rating Methodology-Manufacturing Companies]
[Rating Methodology – Pharmaceutical Sector]
[Criteria for Short Term Instruments]
[Financials Ratio-Non Financial Sector]
[Criteria on Assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for placing rating on credit watch]

About the Company

FBL was incorporated in 1986 and is a subsidiary of DIL Limited (DIL). The parent company, DIL is a listed entity engaged in real estate activity with promoters of DIL being Mr. Krishna Vasantkumar Datla and others and there are no financial linkages between DIL and FBL.

FBL currently manufactures Vitamin D3, other specialty active pharmaceutical ingredients (APIs), biological enzymes (beta lactam antibiotics and enzymes for manufacturing different semi synthetic Penicillin products- Penicillin G Amidase to advanced enzyme variants) and also offers integrated biotech based environment solutions (treated municipal sewage treatment plant (STP), industrial effluent treatment plant (ETP), treating septic tanks, bio remediation of oil sludges, lakes,

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

ponds etc). FBL has over the years gained expertise in the manufacturing of Vitamin D3 products and in FY16 around 70% of the total sales are from this segment.

The company's manufacturing facility at Kullu (Himachal Pradesh) was set up in 1987 and Dahej (Gujarat) was set up in 2011. The facilities are registered with Food Facility Registration Module (FFRM) which operates under the aegis of United States Food and Drug Administration (USFDA). FBL is also certified by World Health Organisation (WHO), Good Manufacturing Practise (GMP), USFDA Establishment Inspection Report (EIR) and has received Certificate of Suitability (CEP) accreditation issued by European Directorate for the Quality of Medicines (EDQM) for vitamin D3 manufacture. The company has two wholly owned subsidiaries Fermenta Biotech UK Limited and GI Biotech Private Limited which are dormant.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	150	162
PBILDT	27	22
PAT	12	10
Overall gearing (times)	0.35	0.40
Interest coverage (times)	5.98	6.20

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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.

Annexure-1: Details of Instruments/Facilities

Name of the facility	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	34.00	CARE BBB+ (Under Credit watch with Developing Implications)
Non-fund-based - ST-BG/LC	-	-	-	5.25	CARE A3+ (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	-	-	November 2020	8.75	CARE BBB+ (Under Credit watch with Developing Implications)

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	Dates & Ratings assigned in 2017-2018	Dates & Ratings assigned in 2016-2017	Dates & Ratings assigned in 2015-2016	Dates & Ratings assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	34.00	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+; Stable (19-Apr-17)	-	-	-
2.	Non-fund-based - ST-BG/LC	ST	5.25	CARE A3+ (Under Credit watch with Developing Implications)	1)CARE A3+ (19-Apr-17)	-	-	-
3.	Fund-based - LT-Term Loan	LT	8.75	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE BBB+; Stable (19-Apr-17)	-	-	-

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