

FEBRUARY 18, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF SAI LIFE SCIENCES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	256.48 (enhanced from 220.78)	CARE A- (Single A Minus)	Reaffirmed
Short term Bank Facilities	45.00 (enhanced from 34.00)	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	301.48 (Rupees Three Hundred One crore and Forty Eight lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Sai Life Sciences Limited (Sai Life) continue to derive strength from the established track record of the company in the contract research and manufacturing services (CRAMS) industry, backing by marquee global investors, extensive experience of the promoters in the life sciences industry, presence in the entire CRAMS value chain, preferred vendor status awarded to Sai Life by globally established innovator pharmaceutical and biotechnology companies resulting in healthy flow of repeat business and strong presence of the company in products in phase II and phase III stages indicating high revenue potential upon commercialisation of the same and satisfactory capital structure. The ratings also take into consideration marginal improvement in total operating income and PBILDT margin during FY15 (refers to the period April 1 to March 31) and recent entry of new investors with fresh infusion of equity. The ratings, however, continue to be constrained by company's exposure to foreign exchange fluctuation risk, decline in PAT and PAT margin during FY15 and regulatory risks associated with the pharmaceutical industry.

The ability of the company to further scale up operations while maintaining a comfortable capital structure, improve profitability margins, receive funding envisaged from new private equity investors to support growth and working capital requirements are the key rating sensitivities.

Background

Sai Life, formerly known as Sai Advantium Pharma Limited, was incorporated in January 1999 by Dr Kanumuri Ranga Raju, Dr Raju Penmesta, Mr Ravi Nandyala, and their family members. The company is an integrated CRAMS provider, and provides drug discovery, development, and manufacturing services to pharmaceutical and biotechnology companies, with manufacturing and research & development facilities in the states of Telangana, Karnataka and Maharashtra.

During FY15, Sai Life reported total operating income of Rs.340.47 crore (Rs.333.04 crore in FY14) with PAT of Rs.22.99 crore (Rs.23.32 crore in FY14). Furthermore, during 9MFY16 (un-audited), the company has achieved total operating income of Rs.279.65 crore with PAT of Rs.14.70 crore.

Analyst Contact

Name: Ms Radhika Ramabhadran

Tel: 040-6900-0516

Cell: +91 8008883012

Email: radhika.ramabhadran@careratings.com

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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

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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 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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH**Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR**Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA**Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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