

March 30, 2015

## CARE ASSIGNS 'CARE AAA/ CARE A1+' THE RATINGS TO THE BANK FACILITIES AND INSTRUMENTS OF SUN PHARMACEUTICAL INDUSTRIES LTD

### Ratings

| Facilities                  | Amount<br>(Rs. crore) | Ratings <sup>1</sup>  | Remarks  |
|-----------------------------|-----------------------|-----------------------|----------|
| Long-term Bank Facilities   | 300                   | CARE AAA (Triple A)   | Assigned |
| Short-term Bank Facilities  | 600                   | CARE A1+ (A One Plus) | Assigned |
| <b>Total Facilities</b>     | <b>900</b>            |                       |          |
| Long-term instruments (NCD) | 500                   | CARE AAA (Triple A)   | Assigned |

### Rating Rationale

Upon completion of the merger process of Ranbaxy Laboratories Limited (RLL) and Sun Pharmaceuticals Industries Limited (SPIL) with the receipt of all statutory approvals and notification of the same to the stock exchange (BSE), CARE has withdrawn the ratings assigned to the bank facilities and instruments of RLL and has assigned the ratings to the bank facilities and instruments of merged entity (ie, SPIL).

The ratings take into cognizance the fact that SPIL shall become the largest Indian Pharmaceutical company and fifth largest globally in the generics segment. The company has a strong financial risk profile on the back of healthy cash accruals, consistent business growth, low debt level and established position in the branded generic segment both in India and in foreign markets.

Going forward, sustaining growth of the merged entity by monetisation of generics drug pipeline in the regulated markets as envisaged and resolution of regulatory issues like import ban on few plants of erstwhile RLL would remain the key rating sensitivities.

### Background

SPIL, promoted by Mr Dilip Shanghvi, is one of the leading pharmaceutical companies with leadership position in various chronic and therapeutic segments. The company has extensive product coverage ranging from older molecules to the latest molecules for the relevant therapeutic segment. It continues to be ranked number 1 based on share of prescriptions with 7 classes of specialists: psychiatrists, neurologists, cardiologists, ophthalmologists, orthopaedicians, nephrologists, and gastroenterologists.

On April 7, 2014, SPIL and RLL entered into definitive agreements pursuant to which SPIL was to acquire 100% of RLL in an all-stock transaction. Under the agreement, RLL shareholders were to receive 0.8 share of SPIL for each share of RLL.

As per the audited results for the 15-month period ended March 31, 2014, RLL reported net-loss of Rs.1,087.25 crore on an operating income of Rs.13,335.01 crore and its tangible net-worth stood at Rs.1,095.02 crore (as compared with net profit of Rs.932.41 crore on a total operating income of Rs.12,708.22 crore for the 12-month period ended December 31, 2012, and tangible net-worth of Rs.1,981.63 crore). For 9MFY15 (unaudited), the company registered a net loss of Rs.732.3 crore on an operating income of Rs.8,295.4 crore.

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

As per the audited results (consolidated) for the period ended March 31, 2014, SPIL reported PAT of Rs.3,141.5 crore on an operating income of Rs.16,080.4 crore and tangible net-worth stood at Rs.20,721.8 crore (as compared to net profit of Rs.2,983.1 crore on a total operating income of Rs.11,299.9 crore during FY13 (refers to the period April 1 to March 31) and tangible net-worth of Rs.16,830.2 crore). For 9MFY15 (unaudited), the company registered a PAT of Rs.5,030 crore on an operating income of Rs.13,000 crore.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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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.

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**CIN - L67190MH1993PLC071691**