

## Sterling Biotech Ltd

June 14, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	3,768.00	CARE D (Single D)	Assigned
Short-term Bank Facilities	69.68	CARE D (Single D)	Assigned
<b>Total Facilities</b>	<b>3,837.68</b> <b>(Rs. Three thousand eight hundred thirty seven crore and sixty eight lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings reflect on-going delays in servicing of interest and default in repayment of debt obligation by the company on account of its weakened liquidity position.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

Due to the weakened liquidity position there are on-going delays in servicing of interest and default in repayment of debt obligation by the company.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria on Rating of Short term Instruments](#)

[CARE's Methodology for Manufacturing Companies](#)

[Financial ratios - Non-Financial sector](#)

### About the Company

Sterling Biotech Limited (SBL), promoted by Mr. Nitin Sandesara (Managing Director), is the flagship and a listed company of the Vadodara based Sandesara group. SBL is mainly engaged in the manufacturing of pharmaceutical grade gelatin which has wide range of applications such as capsules, tablets, etc. It is one of the leading manufacturers of pharmaceutical grade gelatin in India with good presence in U.S.A. which is the largest market for Pharmaceuticals. It also manufactures Di-calcium Phosphate (DCP, a by-product of gelatine) and Co-enzyme Q10 (CoQ10). DCP is mainly used by poultry feed manufacturers while CoQ10 is used as a dietary supplement used to boost human memory and immunity. SBL's manufacturing facility is located at Vadodara, Gujarat. The group has over 27 years of industrial experience and has diversified interests ranging from Pharmaceuticals, Healthcare, Oil & Gas, Engineering Infrastructure, etc. The other companies of the Sandesara group are Sterling Port Ltd (rated 'CARE D'), Sterling Oil Resources Ltd (rated 'CARE D'), Sterling SEZ & Infrastructure Ltd (rated 'CARE D'), PMT Machines Ltd (rated 'CARE D'), etc.

During FY17 (12 months ended March), SBL reported a loss of Rs.412 crore on an operating income of Rs.404 crore vis-à-vis FY16 (15 months ended March), where-in it reported loss of Rs.450 crore on an operating income of Rs.568 crore.

### Status of non-cooperation with previous CRA:

SBL's ratings were suspended by ICRA in July 2012 due to its inability to carry out a rating surveillance in the absence of requisite information from the company.

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

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

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

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	2907.62	CARE D
Fund-based - LT-Working Capital Limits	-	-	-	860.38	CARE D
Fund-based - ST-Others	-	-	-	69.68	CARE D

**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	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	2907.62	CARE D	-	-	-	-
2.	Fund-based - LT-Working Capital Limits	LT	860.38	CARE D	-	-	-	-
3.	Fund-based - ST-Others	ST	69.68	CARE D	-	-	-	-

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