

June 23, 2010

**CARE REVISES LT BANK FACILITIES RATING OF SHARON BIO-MEDICINE LTD.  
AND REAFFIRMS RATING OF ST BANK FACILITIES****Ratings**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	165.50	<b>CARE A-</b>	Revised from <b>'CARE A'</b>
Short-term Bank Facilities	7.00	<b>PR1</b>	Reaffirmed
Term Loan (Outstanding as on February 28, 2010)	77.00	<b>CARE A-</b>	Revised from <b>'CARE A'</b>
<b>Total Facilities</b>	<b>249.50</b>		

**Rating Rationale**

The rating revision takes into account the deterioration in the financial profile as reflected by the decline in profitability margins and increasing overall gearing ratio. Further, the revision also factors in delay in implementation of debt-funded projects. Nevertheless, the ratings continue to derive support from SBML's experienced promoters and managerial personnel, growth in turnover, specialised Research & Development (R&D) facility and high growth opportunity in the Contract Research and Manufacturing Services (CRAMS) avenue.

Further, the ratings continue to be constrained by absence of long-term contracts for CRAMS and competition from the other players.

The successful revenue generation from the recently completed projects, growth in formulations business, ability to manage working capital in view of the higher scale of operations and conversion of Foreign Currency Convertible Bonds (FCCB) are the key rating sensitivities.

**Company Profile**

Incorporated in 1989, SBML is engaged in the manufacturing of Active Pharma Ingredients (API), intermediates, formulations and contract manufacturing for finished formulations. As on January 31, 2010, SBML had four operational manufacturing facilities, three at Talaja in Maharashtra and one at Dehradun, West Bengal including the API facility for regulated markets and an Oncology API facility, both at Talaja, set up in FY10. In addition, the company has two R&D centers at Talaja including the unit set up in Talaja in FY10. Further, SBML also has a Solid Dosage Facility at Dehradun which was inspected by UK Medicines and Healthcare products Regulatory Agency (MHRA) officials in March 2010.

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

On a total income of Rs.419.79 crore, SBML earned a PAT of Rs.18.60 crore in FY09. During H1FY10, the company earned PAT of Rs.7.66 crore with net sales of Rs.241.29 crore.

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