

August 27, 2010

**CARE REVISES THE RATINGS OF THE BANK FACILITIES/ INSTRUMENTS OF STERLING BIOTECH LTD.**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	500.99	'CARE BBB+' (Triple B Plus)	Revised from CARE A
Short-term Bank Facilities	355.00	'PR3+' (PR Three Plus)	Revised from PR1
Long-term/Short-term Bank Facilities	235.00	'CARE BBB+/ PR3+	Revised from CARE A / PR1
<b>Total Bank Facilities</b>	<b>1,090.99</b>		
Long-term Non Convertible Debentures	300.00	'CARE BBB+' (Triple B Plus)	Revised from 'CARE A'
Short-term Debt/ Non Convertible Debentures	100.00	'PR3+' (PR Three Plus)	Revised from PR 1

**Rating Rationale**

The revision in the ratings takes into account the deterioration in SBL's financial risk profile characterized by decline in profitability margins in CY2009, high exposure towards group companies and project risk on account of significantly debt-funded expansion of gelatine capacity. The revision in the ratings also considers the likely redemption pressure of Foreign Currency Convertible Bonds (FCCBs) due in September 2010, for which the company is contemplating alternative measures for conversion/redemption. Further, the rating is also constrained by the continuing long working capital cycle and the increasing repayment debt obligation.

Nevertheless, the ratings continue to derive strength from experienced management, well-established position in Indian gelatine market and lower cost of production for gelatine vis-à-vis its global peers.

The uncertainty associated with redemption/conversion of FCCBs and timely execution of the ongoing project remain the key rating sensitivities.

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

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## Company Profile

SBL, promoted by Mr. Nitin Sandesara (current Chairman and Managing Director), is mainly engaged in the production and sale of pharma-grade gelatine, Di-calcium Phosphate (DCP), a by-product of gelatine mainly used as poultry feed and Co-Enzyme Q10 (CoQ10), a dietary supplement used to boost the human immune system.

During CY09, SBL registered a PAT of Rs.237 crore on a total income of Rs.1,438 crore.

During Q1CY10, SBL registered a PAT of Rs.49 crore on a total income of Rs.385 crore.

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