Strides Shasun Limited

May 16, 2018

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Outstanding
Term Loans	1,094.6	[ICRA]A+ &
Short-term fund based facilities	890.00	[ICRA]A1 &
Short-term non-fund based facilities	520.00	[ICRA]A1 &
Unallocated facilities	624.41	[ICRA]A1 &
Total	**3,129.01**	

& indicates on watch with developing implication

Material Event

Strides Shasun Limited (SSL / the company) had notified the stock exchanges on May 09, 2018 that it has agreed to merge its Australian business with Apotex Inc's Australian business. The transaction is subject to entering into definitive agreements between the parties, satisfactory due diligence, customary closing conditions and statutory approvals, including approval of Australian Competition and Consumer Commission and is likely to be closed within 4-5 months as indicated by the management.

Impact of the Material Event

Apotex Pty Ltd (Apotex) is the Australian subsidiary of the Apotex Group of Companies and had launched several generic versions of essential medicines in the Australian market over the years. Apotex also has a robust product portfolio across retail prescription, over-the-counter (OTC) and vitamins, minerals and supplements (VMS), a strong pipeline and focus on first-to-market launches in the Australian market. However, the hospital business of Apotex will not not form a part of the merged entity and will be retained by Apotex.

While SSL is currently one of the leading generic players in the Australian market (Brand name – *Arrow*), Apotex (Brand name – *Apotex*) holds the market leadership position in the Australian generic space. The merged entity (Arrow / Apotex) is expected to hold ~50%+ share making it the leading company in the Australian generic pharmaceutical market by volume and revenue. It will also hold the largest intellectual properties in the Australian market and will have access to ~3,200 first line pharmacy accounts. While Arrow has an exclusive supply agreement with Sigma (~32% market share), the largest pharmacy wholesaler in Australia, Apotex has a one-to-one exclusive agreement with Symbion (~29% market share).

While the proposed transaction will be arrived through a share swap and SSL will have the controlling stake in the merged entity, the detailed corporate structure is yet to be announced by the company. ICRA will continue to monitor the developments in this regard and the impact of the same on the business and credit profile of the company.

ICRA currently has outstanding ratings of [ICRA]A+ / A1 on the bank facilities of SSL. While the outstanding ratings on SSL are on watch with developing implications, ICRA will take appropriate rating action, if necessary, as and when further details are available.

The previous rating rationale is available on the following link:
https://www.icra.in/Rationale/ShowRationaleReport/?Id=68109

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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