

JANUARY 27, 2015

## CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF EMCURE PHARMACEUTICALS LIMITED

**Rating**

| Facilities                           | Amount<br>(Rs. crore)            | Ratings <sup>1</sup>   | Remarks    |
|--------------------------------------|----------------------------------|--|------------|
| Long term Bank Facilities            | 729.86<br>(enhanced from 507.89) | <b>CARE AA-<br/>[Double A Minus]</b>                         | Reaffirmed |
| Short-term Bank Facilities           | 78<br>(reduced from 115.04)      | <b>CARE A1+<br/>[A One Plus]</b>                             | Reaffirmed |
| Long-term/Short-term Bank Facilities | 322<br>(enhanced from 313)       | <b>CARE AA- / CARE A1+<br/>[Double A Minus / A One Plus]</b> | Reaffirmed |
| <b>Total Facilities</b>              | <b>1129.86</b>                   |  |            |

**Rating Rationale**

The reaffirmation of the ratings of bank facilities of Emcure Pharmaceuticals Limited (EPL) takes into account improvement in the consolidated financial risk profile of the Emcure group marked by growth in total operating income and improvement in the capital structure. Furthermore, it also takes into account the stabilization of operations of the group companies in various geographies and increase in the number of USFDA approvals.

The ratings assigned continue to derive strength from the experience and long track record of the promoters and accredited manufacturing facilities along with diversified product portfolio with new launches and long-term contracts with the pharmaceutical majors.

The ratings are, however, constrained by the intense competition in the generic formulations industry along with regulatory risk inherent in the pharmaceutical industry. The ratings further take a note of the proposed debt-funded capex and debt-funded acquisition of a company in UK.

The ability of the group to further increase its scale of operations by expanding its footprint in regulated markets and therapeutic segment, improvement in the profitability margins, leverage and coverage indicators and efficient management of working capital are the key rating sensitivities.

For this rating action, CARE has taken a consolidated view of the Emcure Group consisting of EPL and all its subsidiaries, namely, Gennova Biopharmaceuticals Limited (GBL), Zuventus Healthcare Limited, Emcure Pharmaceuticals USA Inc (Emcure USA), Heritage Pharma Holdings Inc, Emcure Pharma UK Limited, Emcure Pharmaceuticals Singapore PTE Limited, Emcure Brasil farmaceutica Ltd, Emcure Pharmaceuticals South Africa (Pty) Limited, Emcure Pharmaceuticals Mena FZ LLC, Emcure Uth Healthcare Limited, Emcure Nigeria Limited. A consolidated view is considered on account of significant inter-company transactions and EPL's exposure to the group companies in the form of corporate guarantee.

**Background**

EPL, incorporated in April 1981, by Mr Satish Mehta, is engaged in the manufacturing of formulations and Active Pharma Ingredients (APIs). The company has five manufacturing facilities in Pune and one in Jammu. These facilities are accredited by regulatory authorities such as US Food and Drug Administration (USFDA), Therapeutic Goods Administration (TGA) - Australia, Canada Food & Drug Administration, etc. and are also compliant with the Current Good Manufacturing Practices (CGMP). Furthermore, the company has four dedicated Research and Development (R&D) facilities for APIs and formulations.

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

The group is vertically-integrated with major thrust on manufacturing and marketing of formulations (own brands) as well as APIs, Contract Research and Manufacturing Services (CRAMS) and R&D activity. The group's branded formulation business caters to the regulated as well as the semi regulated markets. The group has presence in most of the chronic therapeutic segments such as Cardiology, Nephrology, Anti-HIV, and Neurology and also has presence in acute segments such as Anti-infective, Pain Management, Dermatology, Gynecology and Pediatrics.

On April 29, 2011, EPL acquired HPI (Heritage Pharmaceuticals Inc) through its subsidiary Emcure Pharmaceuticals Holding USA (Emcure Holdings). The acquisition was through a reverse merger of Emcure Holdings and Heritage Pharma Holdings Inc (holding company of HPI). Also, during November 2012, EPL acquired worldwide rights of 'BICNU', a branded oncology product from Bristol Myers Squibb (BMS), a US-based company for around Rs.55 crore. During April 2014, the group acquired a marketing company named Tillomed Holdings Limited in U.K along with its subsidiary Tillomed Laboratories Limited for an acquisition price of GBP 8.7 million. The acquired company will operate as a subsidiary of Emcure Pharma, UK.

Emcure as a group consists of eleven direct subsidiaries and four indirect (step down) subsidiaries of EPL located at various regulated and emerging markets including USA, UK, Dubai, Nigeria, Brazil, South Africa, Singapore, Turkey and Canada. The stake held by the private equity firm, Blackstone Partner's Mauritius of 13.09% in EPL was taken over by B.C Investments IV Limited (Bain Capital) during April 2014.

For FY14 (refers to the period April 1 to March 31), the Emcure group's consolidated total income stood at Rs.2,906 crore and a PAT of Rs.267.94 crore against a total income of Rs.2,070.73 crore and a PAT of Rs.90.44 crore in FY13. The standalone total income of EPL stood at Rs.1,647.23 crore and a PAT of Rs.174.43 crore during FY14.

During H1FY15, the group has generated a total income of Rs.1,867.09 crore (as per provisional results) and a PBT of Rs.369.85 crore.

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*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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