

JUNE 18, 2015

## CARE ASSIGNS 'CARE BB+' AND 'CARE A4+' RATINGS TO THE BANK FACILITIES OF MANGALAM DRUGS & ORGANICS LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	14	CARE BB+ [Double B Plus]	Assigned
Short-term Bank Facilities	6	CARE A4+ (A Four Plus)	Assigned
<b>Total Facilities</b>	<b>20</b>		

### Rating Rationale

The ratings assigned to the bank facilities of Mangalam Drugs and Organics Ltd (MDOL) are constrained by its relatively small scale of operations in the Active Pharmaceutical Ingredients (APIs)/ Bulk Drugs Industry along with limited product offerings, client concentration risk and working capital-intensive nature of operations. The ratings also factor in MDOL's low profitability margins and its susceptibility to foreign exchange fluctuation, volatile raw material prices as well as prevailing intense competition in the API/Bulk drugs industry.

The ratings are, however, underpinned by the extensive experience of the promoters and long track record of the company in the pharmaceutical industry, accredited manufacturing facilities, having association with Clinton Foundation and having a reputed and well-established clientele portfolio. The ratings also consider growth in operations and moderate gearing levels coupled with an improvement operating cycle during FY13-FY15 (refers to the period April 01 to March 31).

Going forward, the ability of the company to scale up its operations, improve its profitability margins and capital structure through effective management of operating cycle constitute the key rating sensitivities.

### Background

Incorporated in 1972, MDOL (formerly known as Advent Pharma Pvt Ltd) was promoted by the Dhoot family. Later, MDOL was converted into a public limited company in 2001 and is engaged mainly in manufacturing of API's (Active Pharmaceutical Ingredients)/ Bulk Drugs. Subsequently, in 2006, the company got listed on BSE/NSE. The company manufactures API's/Bulk Drugs with an installed capacity of 600 MTPA as on March 31, 2015. MDOL caters mainly to the anti-malarial and analgesic/anti-inflammatory segments. Other segments in which the company is present is anti-hypertensive, anti-retroviral segment and anti-HIV segment in which the company forayed towards the end of FY15. MDOL derives majority of its revenues from the anti-malarial segment, ie, around 76% of the revenues in FY15 as compared with 69% of the revenues in FY14.

The company has two multi-product manufacturing facilities and an in-house R&D centre at Vapi, Gujarat. Both API manufacturing plants are WHO-GMP certified as well as Certification of suitability from European Directorate for the Quality of Medicines & HealthCare (EDQM). The company is pre-dominantly a domestic player with domestic sales accounting for 73.76% of net sales in FY15. Exports are primarily to semi-regulated African markets like Nigeria, Kenya, Uganda and Ethiopia. The company has tied up with the Clinton Foundation for supply of anti-malarial and anti-HIV APIs to drug formulators and accordingly received the WHO-Geneva accreditation required for the same.

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

As per FY15, MDOL posted a PAT of Rs.6.14 crore on a total income of Rs.216.19 crore as compared with loss of Rs.3.04 crore on a total income of Rs.121.23 crore in FY14.

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

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