

JULY 14, 2016

CARE REVISES LT RATING AND REAFFIRMS THE ST RATING ASSIGNED TO BANK FACILITIES AND THE PROPOSED CP OF LAURUS LABS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	1,032 [reduced from Rs.1034.60 crore]	CARE A+ (Single A Plus)	Revised from CARE A [Single A]
Short term Bank Facilities	338.20	CARE A1 (A One)	Reaffirmed
Total Facilities	1,370.20 (Rupees One Thousand Three Hundred Seventy crore and Twenty lakh only)	--	--
Proposed commercial paper	100.00 (Rupees One Hundred crore only)	CARE A1 (A One)	Reaffirmed

Rating Rationale

The revision in the long-term rating of Laurus Labs Private Limited (LLPL) derives strengths from significant improvement in the total operating income coupled with improved profitability and profitability margins in FY16 (refers to the period April 1 to March 31), improved and moderate leverage position and successful completion of planned capex. The rating continues to factor in experienced promoters having long-term presence in the pharma industry, healthy product portfolio with perceptible presence in Antiretroviral (ARV), Oncology and Hepatitis C therapeutic segments, reputed customer base, regulatory approvals from various countries for the manufacturing and Research and Development (R&D) facilities of LLPL and favorable outlook for the pharmaceutical industry. The ratings are, however, constrained by elongated operating cycle period, ongoing debt-funded capex, exposure to regulatory risk and foreign exchange fluctuation risk. The ability of the company to maintain healthy growth in revenue and profitability, successfully completed planned expansion without any adverse impact on the capital structure and liquidity position and addition of new products to its portfolio are the key rating sensitivities.

Background

Incorporated in September 2005, LLPL is promoted by Dr C. Satyanarayana, Chief Executive Officer (CEO) of the company. The company was renamed (from Aptuit Laurus P Ltd) to the current nomenclature in February 2012. The company is primarily engaged in the manufacturing of active pharmaceutical ingredients (APIs) and related intermediates, Generic Finished Dosage Forms (FDF) and contract research services to cater the needs of the global pharmaceutical industry with a strong presence in anti-retroviral (ARV), oncology and hepatitis C therapeutic segments. LLPL is equipped with API manufacturing facilities situated in Jawaharlal Nehru Pharma city at Visakhapatnam, FDF Drug manufacturing facility in Achyutapuram at Visakhapatnam and a research and development centre situated in IKP Knowledge Park, Hyderabad. During FY16, LLPL reported a total operating income of Rs.1,759.27 crore (Rs.1,316.52 crore in FY15) with a PAT of Rs.141.62 crore (Rs.73.57 crore in FY15).

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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