

APRIL 29, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF NEULAND LABORATORIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	205.27 [reduced from Rs. 205.51 crore]	CARE BBB- (Triple B Minus)	Reaffirmed
Short term Bank Facilities	94.40 [enhanced from Rs.72.40 crore]	CARE A3 (A Three)	Reaffirmed
Total Facilities	299.67 [Rupees Two Hundred Ninety Nine crore and Sixty Seven Lakh only]		

Rating Rationale

The ratings of Neuland Laboratories Limited (NLL) continue to derive strengths from experienced promoters having long-term presence in the industry, diversified revenue and customer profile, moderate financial performance with consistent operating revenue in FY15 (FY refers to the period April 1 to March 31), improved capital structure backed by equity infusion, moderate operating cycle, moderate product mix, strategic corporate reorganization to focus on its core business of manufacturing active pharmaceutical ingredients (API) and approved manufacturing facilities. The ratings are, however, constrained by drop in profitability margins in FY15, absence of significant long term contracts with customers, highly competitive nature of the bulk industry and exposure to foreign exchange fluctuation risk. The ability of the company to grow its revenue base, improve profitability margins and manage working capital requirement efficiently and maintain healthy liquidity position are the key rating sensitivities.

Background

Incorporated in January 1984, NLL was set up as a private limited company by Dr D R Rao and Mr G V K Rama Rao and was reconstituted as a public limited company, with the current nomenclature, in 1994. NLL manufactures active pharmaceutical ingredients for global pharmaceutical companies and provides end-to-end solutions for the pharmaceutical industry for chemistry-related services. It supplies to pharmaceutical companies across India, Europe and North America amongst others with a presence in over 85 countries. NLL has two manufacturing facilities in Hyderabad, Telangana. The manufacturing facilities compliant with health and regulatory agencies cGMP certifications, namely, USFDA (USA), Canada (HC), PMDA (Japan), KFDA (Korea), EU (EMA), EDQM (COS) and others (ROW). The company has portfolio of around 75 Products with presence in 10 therapeutic segments including anti-asthmatic, anti-infective, anti-ulcerants, anti-fungals, cardiovascular, flouroquinolones, central nervous system (CNS) and anti diabetic. NLL is listed on BSE Limited and National Stock Exchange (NSE).

During FY15, NLL reported a total operating income of Rs.469.77 crore (Rs.468.86 crore in FY14) with a PAT of Rs.15.78 crore (Rs.26.67 crore in FY14).

Furthermore, during 9MFY16, the company has achieved total operating income of Rs.375.82 crore with a PAT of Rs.19.78 crore.

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

Analyst Contact

Name: Mr Vidhyasagar L

Tel: +91-40-4010 2030

Cell: +91-8801880184

Email: vidhya.sagar@careratings.com

****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.

CONTACT

Head Office Mumbai

Mr. Saikat Roy

Mobile: + 91 98209 98779

 E-mail: saikat.roy@careratings.com
Mr. Amod Khanorkar

Mobile: + 91 98190 84000

 E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com
AHMEDABAD
Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

 E-mail: mehul.pandya@careratings.com
BENGALURU
Mr. Deepak Prajapati

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

 E-mail: deepak.prajapati@careratings.com
CHANDIGARH
Mr. Sajan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

 Email: sajan.goyal@careratings.com
CHENNAI
Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

 Email: pradeep.kumar@careratings.com
COIMBATORE
Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

 Email: pradeep.kumar@careratings.com
HYDERABAD
Mr. Ramesh Bob

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

 E-mail: ramesh.bob@careratings.com
JAIPUR
Mr. Nikhil Soni

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

 E-mail: nikhil.soni@careratings.com
KOLKATA
Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

 E-mail: priti.agarwal@careratings.com
NEW DELHI
Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

 E-mail: swati.agrawal@careratings.com
PUNE
Mr. Pratim Banerjee

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

 E-mail: pratim.banerjee@careratings.com

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