SEPTEMBER 16, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	205.51 (enhanced from Rs. 175.51 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	**299.91 (Rupees Two Hundred Ninety Nine crore and Ninety One 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 (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 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 PBILDT of Rs. 67.48 crore (Rs. 72.76 crore in FY14) and PAT of Rs.15.78 crore (Rs.26.67 crore in FY14).

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

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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