

APRIL 11, 2016

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
ORCHID PHARMA LIMITED
(ERSTWHILE ORCHID CHEMICALS AND PHARMACEUTICALS LIMITED)**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	2687.49 (enhanced from 1971.07)	CARE B- [Single B Minus]	Reaffirmed
Short-term Bank Facilities	498.50	CARE A4 [A Four]	Reaffirmed
Total Facilities	3185.99 (Rupees Three Thousand One hundred and Eighty Five crore Ninety Nine lakhs only)		

Rating Rationale

The ratings assigned to the bank facilities of Orchid Pharma Limited (Orchid) continue to be constrained by moderate financial performance characterised by losses in FY15 (refers to the period April 1 to March 31) and 9MFY16, weak debt protection metrics and highly leveraged capital structure. The ratings however take into account Orchid's long track record of operations and its established presence as a bulk drug manufacturer. The ratings also take note of approval received for launch of a new product recently.

The ability of the company to improve revenue from existing & new product launches, improve profit margins and its leveraged capital structure would be the key rating sensitivities.

Background

Orchid Pharma Limited (Orchid), established in 1992, is an integrated pharmaceutical company with presence in bulk drug manufacturing, formulations and drug discovery. Orchid commenced its operations as a cephalosporin Active Pharmaceutical Ingredient (API) manufacturer and largely remained so till 2004 before moving to formulations.

During FY10, Orchid sold its sterile injectable formulations business to Hospira Inc. The business transfer was completed in March 2010. Orchid also sold its API business of penicillin and penem, the API facility located in Aurangabad (Maharashtra) together with an associated R&D Infrastructure located in Chennai to Hospira Inc in July 2014. Orchid presently operates in API business (of Cephalosporin based antibiotics) and formulation business (Oral Cephalosporin and Non Penicillin Non Cephalosporin).

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

Orchid reported after tax loss of Rs.191 crore on a total operating income of Rs.1,760 crore in FY15 (eighteen months ended March 2015) and after tax loss of Rs.211 crore on a total operating income of Rs.671 crore in 9MFY16.

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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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