

Orchid Pharma Limited

April 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	2687.49	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on Best Available Information
Short Term Bank Facilities	498.50	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on Best Available Information
Total	3185.99 (Rupees Three thousand one hundred and eighty five crore ninety nine lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Orchid Pharma Limited to monitor the rating(s) vide e-mail communications dated February 01, 2018, February 14, 2018, February 28, 2018 and March 12, 2018 and letter dated March 17, 2018. As the company was admitted into Corporate Insolvency Resolution Process (CIRP) by order of National Company Law Tribunal (NCLT) no information is shared with CARE. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Orchid Pharma Limited bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account delays in debt servicing by the company. The Company was admitted into Corporate Insolvency Resolution Process (CIRP) by order of National Company Law Tribunal (NCLT) effective from August 17, 2017.

Detailed description of the key rating drivers

At the time of last rating on March 31, 2017 the following were the rating strengths and weaknesses:

Detailed description of the key rating drivers

Instances of delays in debt servicing and financial performance in FY16

Presently, Orchid is under the framework of CDR. The implementation of the debt restructuring, infusion of funds by the promoters (Rs. 92 crore, as per CDR terms approved in March 2014) and the realisation of the sales proceeds (Rs.1,134 crore in July 2014) from Hospira aided the company. However, Orchid continued to incur losses during FY16 and 9MFY17 on account of higher interest expense resulting from high leverage levels. During FY16, operations of the one of the facilities of Orchid were affected for about 3 months due to floods in December 2015. Orchid reported after tax loss of Rs.274 crore on a total operating income of Rs.895 crore in FY16. Continuous losses over the last few years coupled with high debt commitments have resulted in tight liquidity position of the company.

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

During 9MFY'17, Orchid reported after tax loss of Rs.296 crore on a total operating income of Rs.568 crore.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Rating Methodology for Education Sector](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

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).

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2023	2687.49	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-EPC/PSC	-	-	-	498.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*issuer did not cooperate

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	2687.49	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (17-Apr-17)	1)CARE B- (11-Apr-16)	1)CARE B- (13-Apr-15)
2.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)Withdrawn (13-Apr-15)
3.	Fund-based - ST-EPC/PSC	ST	498.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (17-Apr-17)	1)CARE A4 (11-Apr-16)	1)CARE A4 (13-Apr-15)

*issuer did not cooperate

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