

Orchid Pharma Limited

April 17, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	2687.49	CARE D [Single D]	Revised from CARE B- [Single B Minus]
Short-term Bank Facilities	498.50	CARE D [Single D]	Revised from CARE A4 [A Four]
Total Facilities	3185.99 (Rupees Three thousand One hundred and Eighty Five crore Ninety Nine lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Orchid Pharma Limited (Orchid) takes into account instances of delays in debt servicing.

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 was 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 has resulted in tight liquidity position of the company.

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Rating Methodology- Pharmaceutical](#)

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: NA

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

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

About CARE Ratings:

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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
Fund-based - ST-EPC/PSC	-	-	-	498.50	CARE D

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	2687.49	CARE D	-	1)CARE B- (11-Apr-16)	1)CARE B- (13-Apr-15)	1)CARE C (22-Apr-14)
2.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (13-Apr-15)	1)CARE A4 (22-Apr-14)
3.	Fund-based - ST-EPC/PSC	ST	498.50	CARE D	-	1)CARE A4 (11-Apr-16)	1)CARE A4 (13-Apr-15)	1)CARE A4 (22-Apr-14)

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