

January 23, 2012

**CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF
ZUVENTUS HEALTHCARE LTD.**

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	36.56	CARE A- (Single A Minus)	Revised from CARE BBB+
Short term Bank Facilities	5.00	CARE A2+ (A Two Plus)	Revised from CARE A3+
Long-term/ Short-term Bank Facilities	15.00	CARE A-/ CARE A2+ (Single A Minus / A Two Plus)	Revised from CARE BBB+/ CARE A3+
Total Bank Facilities	56.56		

Rating Rationale

The rating revision takes into account the growth in operations of Zuventus Healthcare Ltd. (ZHL) coupled with stable profitability margins, comfortable gearing levels and strong interest coverage ratio. The ratings also factor in the commencement of the commercial operations at Jammu plant. The ratings continue to derive strength from the experienced promoters, strong marketing network and reputed brands.

However, the rating continues to be constrained by focus on domestic market with growing competition from multinational and Indian drug manufacturers.

The ability of ZHL to achieve its envisaged turnover and profitability amidst intense competition from other pharmaceutical companies are the key rating sensitivities.

Background

Zuventus Healthcare Ltd., a pharmaceutical formulations company, is predominantly a domestic company with pan India presence. ZHL sells its own brand of pharmaceutical products in the domestic market by outsourcing its manufacturing activities to third party contract manufacturers either on Loan License (LL) basis or Principal to Principal (P2P) basis. During FY11, ZHL set up its own manufacturing plant at Jammu, which commenced commercial operations on July 23, 2011 for manufacture of pharmaceutical formulations. The products manufactured at Jammu plant were earlier purchased on a P2P basis. The company's product portfolio mainly caters to acute therapeutic segments viz. Anti infective, Nutritional support, Gastroenterology amongst others.

Lasor Pharmaceuticals Limited (LPL), a subsidiary of ZHL, was amalgamated with ZHL vide High court order dated June 24, 2011 with retrospective effect from April 1, 2010.

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

On a total operating income of Rs.318.53 crore in FY11, ZHL earned PAT of Rs.20.98 crore as against PAT of Rs.19.43 crore on operating income of Rs. 243.71 crore in FY10.

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