

June 18, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATING TO THE BANK FACILITIES OF FLAMINGO PHARMACEUTICALS LTD

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	50.00	CARE BBB- [Triple B Minus]	Assigned
Short-term Bank Facilities	13.00	PR3 [PR Three]	Assigned
Term Loan (Existing and Proposed)	142.46	CARE BBB- [Triple B Minus]	Assigned
Total Facilities	205.46		

Rating Rationale

The ratings derive strength from long track record of promoters, diversified product portfolio, accredited manufacturing facilities with UKMHRA approved facility at Taloja, reputed clients for contract manufacturing and wide geographical presence with well established distribution network.

However, the ratings are constrained by loss making domestic operations resulting in low overall profitability, debt funded capex plans with existing high overall gearing ratio and the nascent stage of its on-going project at Nanded.

Turnaround of its domestic operations and timely completion of and successful revenue generation from the on-going project at Nanded are key rating sensitivities.

Company Profile

Flamingo Pharmaceuticals Ltd. (FPL) is mainly an export oriented company with presence in acute therapies (aggregate contribution of 75% to total sales in FY09) such as Antibiotics and Antipyretic and also in chronic segment (aggregating 15% of total sales in FY09) such as Antidiabetic and Antihypertensive. It has two manufacturing facilities at Rabale, (catering to the semi-regulated markets) and at Taloja (UKMHRA and WHO-GMP approved facility, catering to the regulated markets). Both the manufacturing facilities are set up as 100% EOU (Export Oriented Units). In 2006, FPL entered the domestic market by outsourcing its manufacturing activities. The company has undertaken setting up a state-of-the-art plant at the SEZ in Nanded, Maharashtra, based on UKMHRA specifications. The project is scheduled to be completed in FY12.

For the year ended March 31, 2009, FPL's net sales increased y-o-y by 25.57% to Rs.184.45 crore. The PBILDT margin fell almost 110 bps to 10.97% and PAT margins improved by 121 bps to 4.94%. As of March 31, 2009, FPL's Tangible Net worth was Rs.48.60 crore.

As per the un-audited results for 9MFY10, the company posted net sales of Rs.151.07 crore, PBILDT of Rs. 16.65 crore and PAT of Rs. 8.46 crore.

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

CARE 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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