

June 4, 2010

CARE REVISES RATING ASSIGNED TO BANK FACILITIES OF GRANULES INDIA LTD.

CARE has revised the rating to the long-term bank facilities of Granules India Ltd. (GIL) from '**CARE B' (Single B)** to '**CARE BB+' (Double B plus)**. This rating is applicable for facilities having tenure of more than one year. Facilities with 'Double B' rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk.

Also, CARE has retained a '**PR 4' (PR four)** rating to the short-term bank facilities of the company. This rating is applicable for facilities having tenure up to one year. Facilities with this rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default. The above ratings are assigned to both long-term facilities and short-term facilities aggregating Rs.222.11 crore.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position of the company within the band covered by the rating symbol.

Instrument	Amount (Rs. crore)	Rating
Long-term Bank Facilities	152.51	' CARE BB+'
Short-term Bank Facilities	69.60	' PR4'
Total	222.11	

Rating Rationale

The rating revision primarily factors in improvement in debt servicing track record of GIL. The ratings also consider the experience of the promoters in the business, established presence in the Pharmaceutical Formulation Ingredients (PFI) business, especially in the global paracetamol market, reputed clientele, diversified presence across markets and clients, growth in turnover and strong financials with low overall gearing. Further, the ratings are constrained by the past track record of unsatisfactory debt servicing, limited product profile, higher sales concentration from few major products, high dependence on China for raw material procurement and competition from low cost manufacturers. Company's ability to rein in its margins and easing of its liquidity position are the key rating sensitivities.

Company Profile

Hyderabad based GIL was incorporated in 1991. It is engaged in the business of export of bulk drugs like paracetamol, guaifenesin, other Active Pharmaceutical Ingredients (API) and PFI. GIL was promoted by Shri C.Krishna Prasad (MD) and his father Dr.C.Nageswara Rao.

On a total income of Rs.260cr, GIL earned a PAT of Rs.5 cr in FY09. Further, for the half year ended September 30, 2009, GIL achieved total income of Rs.184 crore, with the PAT of Rs.12 crore.

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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.

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 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.

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