

September 8, 2010

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

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	168.01 (enhanced from Rs.152.51 cr)	'CARE BBB' (Triple B)	Revised from CARE BB+ [Double B Plus]
Short-term Bank Facilities	79.35 (same)	'PR3+' (PR Three Plus)	Revised from [PR Four].
Total Facilities	247.36		

Rating Rationale

The revision in the ratings takes into account improvement in GIL's financial risk profile characterized by increase in the size of the operations, substantial growth in turnover, improvement in leverage position, improved working capital cycle and satisfactory track record of timely servicing of debt obligations. The ratings also take into account the USFDA approval for its Metformin ANDA driving the Finished Dosage (FD) sales of the company. Further, the ratings continue to derive strength from 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 major global pharmaceutical markets and clients and positive outlook for the sector. The ratings are however constrained by limited product profile, higher sales concentration from few major products, high dependence on China for raw material procurement, competition from low-cost manufacturers and exposure to foreign exchange risk. GIL's ability to increase the capacity utilisation of its FD facilities and improvement in its profitability and liquidity position are the key rating sensitivities.

Company Profile

Granules India Ltd (GIL), incorporated in 1991, is an integrated pharmaceutical player with API, PFI and finished dosages (FD) manufacturing capabilities. The company was promoted by Mr C. Krishna Prasad (MD) and his father Dr. C. Nageswara Rao. GIL's manufacturing facilities are located on the outskirts of Hyderabad. The company has received US-FDA approval in April 2010 for its Abbreviated New Drug Application (ANDA) for Metformin, which was developed and registered by GIL in collaboration with Heritage Pharmaceuticals Inc (HPI).

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

On a total income of Rs.386 crore, GIL earned a PAT of Rs.24 crore in FY10. Further, for the Q1FY11, GIL achieved total income of Rs.91 crore, with the PAT of Rs.2 crore.

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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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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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