

July 20, 2010

CARE ASSIGNS 'CARE A-' AND 'PR2+' RATING TO BANK FACILITIES OF HETERO LABS LIMITED

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	273.66	'CARE A-' (Single A inus)	Assigned
Short-term Bank Facilities	135.00	'PR2+' (PR Two Plus)	Assigned
Total Facilities	408.66		

Rating Rationale

The ratings take into account company being of the Hetero Group, promoters experience and track record in pharmaceutical business, strong product portfolio of Active Pharmaceutical Ingredients (API) spread across various therapeutic segments, Presence in formulations segment having around 45 products and comfortable financial position. The rating is however, constrained by dependence on Hetero Drugs limited (HDL) (rated CARE A-/PR2+) for API sales, risks associated with debt funded expansion plans, and highly fragmented industry with many unorganised players. The ability of the company to sustain its profitability margins and continuous addition of new API & formulation products to its portfolio are the key rating sensitivities.

Company Profile

Hetero Labs Limited (HLL), part of the Hetero Group of companies, is engaged in manufacturing of Active Pharmaceutical ingredients (APIs) and Finished Dosages Forms (FDF). HLL is a closely held company with entire shareholding held by promoters and their associates. HLL has 3 manufacturing facilities located at various places in Andhra Pradesh apart from one manufacturing facility for Formulations in Baddi, Himachal Pradesh. The product portfolio of the company consist around 40 API products and around 45 formulation products spread across various therapeutic segments. HLL has major presence in Anti retroviral / Anti viral therapeutic segment since it supplies APIs to its group company Hetero Drugs Ltd (HDL) for manufacturing of formulations. The company primarily caters to the domestic market with domestic sales constituting nearly 80% of the sales. HLL also exports its products to America, Europe, Africa and other countries of Asia pacific.

The company has reported net sales of Rs. 659 Crore with a PAT of Rs. 91 Crore for the year ended March 31, 2009.

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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.

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

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