

July 8, 2010

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF
MALLADI DRUGS AND PHARMACEUTICALS LTD****Ratings**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	108.36	'CARE BB-' (Double B Minus)	Upgraded from CARE B
Short-term Bank Facilities	12.70	'PR 4' (PR Four)	Retained
Total Facilities	121.06		

Rating Rationale

The rating revision primarily factors in the improvement in the debt servicing track record of the company since July 2009 and the improvement in the business and operational performance of MDPL as well as its subsidiary Novus during FY'10. The ratings are constrained by the financial performance of MDPL characterized by low profitability (notwithstanding the improvement seen in 9M'10) and high level of debt in relation to cash accruals, controlled nature of the products and consequent impact on market growth and high level of exposure to the subsidiary Novus. The rating also takes into account MDPL's leading position in the manufacture of Ephedrine and Pseudo Ephedrine, its established track record of operations, good manufacturing capabilities (characterized by one of the units being US FDA-approved and all other manufacturing facilities being cGMP and ISO 9000-certified), and presence of tie-up arrangements for contract manufacturing.

MDPL's ability to diversify its product portfolio away from the core products of Ephedrine & Pseudo Ephedrine, further improvement in financial performance of Novus & reduction in MDPL's exposure in Novus would remain the key rating sensitivities.

Company Profile

MDPL was founded in 1980 by late M.L.N. Sastry, a pioneering microbiologist, and was promoted as a Joint Venture company along with Tamil Nadu Industrial Development Corporation (TIDCO) for the manufacture of Ephedrine and its salts. MDPL is a manufacturer of Active Pharmaceutical Ingredients (APIs) in the cough and cold segment along with limited presence in other therapeutic segments. The major products manufactured by the company include Ephedrine, Pseudo Ephedrine, Phenylephrine, Phenyl Propanolamine and Cyclin (Intermediate).

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



Press Release

During FY09, MDPL posted sales of Rs.160 cr in FY09 as against Rs.135 cr in the previous year. The increase in raw material cost, employee expenses and interest costs resulted in PAT decreasing to Rs.4 cr in FY09 compared to Rs.7 cr in FY08. For the 9 month ended Dec'09, MDPL made a PAT of Rs.5cr on a total income stood at Rs.135cr.

Analyst Contact

Name: K.Karthik Raj

Tel: 044-2489 7812

Mobile: 9940162244

Email: karthik.raj@careratings.com

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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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Prahaldnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>