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August 10, 2010

**CARE ASSIGNS 'CARE BB+' AND 'PR4+' RATINGS TO THE BANK FACILITIES OF ORCHID CHEMICALS & PHARMACEUTICALS LTD**

**Ratings**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	1212.87	'CARE BB+' (Double B Plus)	Assigned
Short-term Bank Facilities	282.00	'PR4+' (PR Four Plus)	Assigned
<b>Total Facilities</b>	<b>1494.87</b>		

**Rating Rationale**

The ratings are constrained by delay in receipt of key product approvals by Orchid and consequent underutilisation of assets, leading to cash flow mismatches and delay in servicing its debt repayment obligations during the past two years ended Mar'10. The ratings also factor in the high level of debtors, company's exit from niche and high margin sterile formulation business, its marginal presence in the non-antibiotic segment at present and high level of regulatory risks associated with the industry.

The ratings also take into account Orchid's long track record of operations, its established presence as bulk drug manufacturer, successful foray into regulated generics market, demonstrated ability to develop and establish its presence in challenging and niche sterile product offering, improved financial flexibility consequent to monetisation of assets and strong pipeline of non-antibiotic products.

Timelines of future product approvals and launch thereof and improvement in debt servicing track record will be key rating sensitivities.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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## Background

Established in 1992, Orchid is an integrated pharmaceutical company with presence in bulk drug manufacturing, formulations and drug discovery. During FY10, Orchid sold its sterile injectable formulations business to one of its marketing partner - Hospira Inc and is now left with API business (of cephalosporin, penicillin, carbapenem and non-antibiotics) and oral formulation businesses of cephalosporin and non-antibiotics. For the year ended Mar.31, 2010, Orchid reported a PAT of Rs.306cr on a total income of Rs.1250cr.

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