

June 15, 2010

CARE REVISES RATING ASSIGNED TO THE LT BANK FACILITIES OF SAMI LABS LTD AND REAFFIRMS THE RATING OF ST BANK FACILITIES

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities			
- Fund-based Working Capital Limit	40.00 (enhanced from 30.00)	'CARE BBB-' Triple B Minus	Revised from 'CARE BBB' (Triple B)
Total Long-term Bank Facilities	40.00		
Short-term Bank Facilities	7.00	'PR3'	Reaffirmed
Total Short-term Bank Facilities	7.00		
Total Facilities	47.00		

Rating Rationale

The revision in the long-term rating of Sami Labs Ltd (SLL) factors in the decline in sales in CY09, sharp increase in raw material cost on account of unexpected floods and increased competition for the raw material, which resulted in net loss and marginally deteriorated financial and operational performance in CY09. The rating also takes into account the relatively small size of operations, product concentration risk, high exposure to group companies, fluctuating sales during the last few years and high working capital cycle. However, the rating gains strength from established track record of the company for more than 15 years, experienced promoter, low gearing levels and strong IPR portfolio comprising 59 international patents. Going forward, ability of SLL to achieve stability in sales, diversification to more products, sustenance of profitability margin and ensuring availability of core raw materials would be crucial for the financial prospects of the company and would be key rating sensitivities.

Company Profile

Sami Labs Ltd(SLL) is a 100% Export Oriented Unit (EOU) promoted by Dr. Muhammed Majeed in April 1991 and is engaged in manufacturing of herbal extracts and fine chemical products including nutraceuticals, cosmeceuticals, standardized extracts and specialty chemicals. SLL currently operates four manufacturing units in India, with three located in Bangalore and one in Hyderabad. In addition to this, SLL operates a Research and Development facility in Bangalore.

SLL incurred net loss of Rs.1.4 cr during CY09 on a total income of Rs.104 cr. The overall gearing ratio as on December 31, 2009 was at 0.72x.

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