



Adcock Ingram Limited

Instrument	Amount (Rs. Crore)	Rating Action
		June 2015
Long-Term Fund Based Limits [#]	(5.0)	[ICRA]A+ (Stable) / Revised from [ICRA]A (Stable)
Long-Term Non-Fund Based Limits ^{##}	(15.00)	[ICRA]A+ (Stable) / Revised from [ICRA]A (Stable)
Short-Term Fund Based Limits	40.00	[ICRA]A1+ / Revised from [ICRA]A1
Short-Term Non-Fund Based Limits	15.00	[ICRA]A1+ / Revised from [ICRA]A1

[#] Sub-limit of short-term fund based limits; ^{##} Inter-changeable with short-term non-fund based limits

ICRA has upgraded the long-term rating outstanding on the Rs.5.00 crore long-term fund based (sub-limit) facilities and the Rs.15.00 crore long-term non-fund based (interchangeable) limits of Adcock Ingram Limited (“AIL”/“the company”)[†] from [ICRA]A (pronounced ICRA A) to [ICRA]A+ (pronounced as ICRA A plus). The outlook on the long term rating is stable. ICRA has also upgraded the short term rating outstanding on the Rs.40.00 crore short-term fund based facilities and the Rs.15.00 crore short-term non-fund based limits of AIL from [ICRA]A1 (pronounced as ICRA A one) to [ICRA]A1+ (pronounced as ICRA A one plus).

The rating upgrade takes into consideration strengthening of AIL’s financial profile driven by relatively higher revenue share from margin-accretive business in addition to nil debt position, which has resulted in improved margins and healthy accruals and strong coverage metrics as on 31st March, 2015. Furthermore, the favorable change in parentage of Medreich Limited (Medreich, *rated [ICRA]A+ (Stable)/A1+*), being one of the JV partners following the acquisition of the entire shareholding of Medreich by Meiji Seika Pharma Co. Limited, Japan during February 2015 is also a positive. AIL derives strength by virtue of being a JV between Adcock Ingram Holdings Limited and Medreich (a 100% subsidiary of Meiji Seika Pharma Co. Limited, Japan), which provides it with opportunities to expand presence in the South African pharmaceutical market and leverage on cost competitive manufacturing capabilities, respectively. In addition, steady increase in volumes from iNova Pharmaceuticals Pty Limited, which account for 13.7% of its revenues has also supported AIL’s growth and earnings over the last four years.

The rating strengths are, however, partially offset by AIL’s flat revenue growth during 2014-15 on account of drop in volumes from AIHL’s South African government business segment, relatively high customer and geography exposure. Although its affiliation with AIHL is a positive and supports business operations, any weakness / adverse regulatory changes or pricing-led competition in the South African pharmaceutical market could impact the Company’s performance. Further, the Company’s revenue growth over the near-to-medium term is expected to remain moderate in the absence of any capacity augmentation considering that the existing facilities are operating close to optimum utilization levels. Going forward, the Company’s ability to diversify its business mix in favour and maintain its strong financial profile will be key rating sensitivities.

Company Profile

AIL, established in 2007, is a joint venture between Medreich Limited, a 100% subsidiary of Meiji Seika Pharma Co. Limited, Japan (Medreich, 50.07% stake) and the South Africa-based Adcock Ingram Holdings Limited (AIHL, 49.93% stake). The Company is engaged in the manufacture of pharmaceutical formulations through its facilities at Bangalore, catering principally to part of AIHL’s branded generic business. Apart from catering to AIHL, AIL also provides some outsourced formulation manufacturing services to Medreich and iNova Pharmaceuticals. AIL has a single manufacturing unit located in Bangalore with a manufacturing capacity of about 33 crore tablets per month

* 100 lakhs = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.



Recent Results

For 2014-15, AIL reported net profit of Rs.41.5 crore on operating income of Rs.258.8 crore as against net profit of Rs.40.8 crore on operating income of Rs. 261.7 crore in 2013-14

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For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: 9821086490

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500