



## Laila Nutraceuticals

### Rating History

Instrument	Amount in Rs. Crores	Rating Outstanding
		March 2011
Long term loans	3.00	LB+
ST- Fund based facilities	35.00	A4

ICRA has assigned LB+ (pronounced L B plus) rating to the Rs. 3.00 Crores term loans of Laila Nutraceuticals ("Laila Nutra"/ "the Firm") . ICRA has also assigned A4 (pronounced A four) rating to the Rs. 35.00 Crore fund based limits of the Firm.

#### **The ratings reflect delays witnessed in the Firm's debt servicing.**

Laila Nutra is heavily dependent on two customers (PL Thomas Inc and Interhealth Nutraceuticals Inc) in the US for its entire revenues, thereby exposing it to both high levels of geographic and customer concentration. The same has resulted in volatile revenue generation in the past fiscals. While, the Firm's procurement mechanism is efficient, owing to the seasonality witnessed in the production of its raw materials, its inventory levels are high leading to high working capital intensity. ICRA also notes the significant levels of profit withdrawals by the promoters which provide low level of comfort on the stability of capital in the Firm. Laila Nutra also intends to undertake aggressive debt funded capex (Rs. 30.0 crore) in the coming fiscals towards various R&D activities, which is likely to further strain the capital structure.

Laila Nutra's promoters have experience in the nutraceuticals industry and the company has a strong research and development (R&D) division which in tandem with the vast product expertise of the Laila Group y has enabled the Firm to come out with over 40 patents in the field of herbal extraction, thereby improving the Firm's competitive position and enhancing its pricing flexibility. Coupled with the low input costs stemming from its efficient procurement mechanisms, minimal interest costs on account of low debt levels and tax rebates arising on account of its status as a 100% Export oriented Unit (EoU), Laila Nutra's margins are high. However, significant amounts of withdrawals by the promoters have resulted in stretched cash flows. ICRA also takes note of the favourable demand outlook for the nutraceuticals industry which augurs well for Laila Nutra.

**Entity Profile :**Laila Nutraceuticals (Laila Nutra/"the Firm") is one of the flagship firms of the Laila Group of firms and companies with business interest across diverse sectors such as pharmaceuticals, nutraceuticals, ayurvedic products, sugar, paper, finance, hospitality, real estate and education. For the financial year ended March 2010, the group's pharma, nutra, sugar and paper businesses had a combined turnover of around Rs. 400 crores.

Laila Nutra was registered in March 2005 as a 100% EoU, dealing with the manufacture and export of herbal extracts. The Firm is largely dependent on three key herbal extracts (Boswellia, Garcinia and Gymnema) deriving over 95% of its revenues from these products. It has a manufacturing facility in Vijayawada, Andhra and employs 55 research personnel besides 87 administrative and contract workers. The facility has annual capacity of 360 tonnes for manufacturing Garcinia and 120 tonnes for manufacturing Boswellia. The facility has approvals from the Department of Ayush (Andhra Pradesh Government) for manufacture of Schedule 'T' (Ayurveda-Siddha-Unani) drugs.

**Recent Results (un-audited):** During the nine months ended December 2010, the Firm recorded an operating income of Rs. 47.7 Crores and a profit before tax of Rs. 21.6 Crore. For the financial year ended 2010, the Firm recorded an operating income of Rs. 58.9 crores and a profit after tax of Rs. 33.1 crores as against an operating income of Rs. 112.9 crores and a profit after tax of Rs. 53.9 crores.

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