

Alembic Limited

Instrument	Amount	Rating Action
Long-term, fund-based facilities	Rs. 14.0 crore	[ICRA]A- (stable) reaffirmed
Long-term, fund-based/ non-fund based facilities	Rs. 33.0 crore	[ICRA]A- (stable) reaffirmed
Short-term, non-fund based facilities	Rs. 3.0 crore	[ICRA]A- (stable) reaffirmed
Short-term, fund-based facilities*	(Rs. 20.0 crore)*	[ICRA]A2+ reaffirmed

*Total utilisation of long-term/ short-term, fund-based/ non-fund based facilities should not exceed Rs. 50.0 crore

ICRA has reaffirmed the [ICRA]A- (pronounced ICRA A minus) rating assigned to the Rs. 14.0 crore¹¹, long-term, fund-based facilities, and the Rs. 33.0 crore, long-term, fund-based/ non-fund based bank facilities of Alembic Limited (Alembic)²². ICRA has also reaffirmed the [ICRA]A2+ (pronounced ICRA A two plus) rating assigned to the Rs. 3.0 crore, short-term, non-fund based bank facilities and the Rs. 20.0 crore, short-term, fund-based sub-limits of Alembic. The overall long-term/ short-term, fund-based/ non-fund based limits utilisation should not exceed Rs. 50.0 crore. The outlook on the long-term rating is 'stable'.

The ratings reaffirmation takes into account the comfortable liquidity position of the company on the back of stable profits from the real estate business despite ongoing losses of the bulk drugs business; the strong promoter group and financial flexibility enjoyed by Alembic by virtue of its 29.18% stake in Alembic Pharmaceuticals Limited (APL), the flagship company of the group; and the significant land bank (~103 acres) of the company which can be monetized in case of exigencies. While ICRA takes note of the market risks associated with its real estate project – 'Veda', ICRA takes comfort from the self-funded nature of the business and from the successful execution and completion of the 'Samsara' project, which has achieved almost full sales.

ICRA also takes note of the ongoing initiatives aimed at turning around the bulk drugs business; successful turnaround of the business is a key rating sensitivity. Going forward, the cash flows of the company would depend on the improvement in the profitability of the bulk drugs business and the cash flows from the real estate business. However, post completion of the sale of the existing real estate projects, the credit profile would depend on the new initiatives by the company. Further, sizeable unused land provides opportunities to monetize the same and improve cash flows.

Company Profile

Alembic Limited, the flagship company of the Alembic Group, was incorporated on July 30, 1907. The company was promoted by an industrialist - Shri Bhailalbai Amin and Scientists - Prof. T. K. Gajjar and Shri Kotibhaskar. The company has been a pioneer in manufacturing Penicillin-G (Pen-G) through fermentation process. With a view to unlock shareholder value and also help insulate core pharma operations from severe volatility and uncertainty of Pen-G business, the Board of Directors of the company in its meeting held on June 29, 2010 approved the Scheme of arrangement containing demerger of its core pharmaceutical business (formulations) into a wholly-owned subsidiary viz. Alembic Pharmaceuticals Limited (APL) with effect from the appointed date i.e. April 01, 2010. After the demerger, both the companies are listed on BSE and NSE.

Consequent upon demerger, APL is the flagship company of the Alembic Group and is a pure pharma player with focus on domestic formulations, international business largely driven by the regulated markets and research & development activities. Alembic Limited now operates primarily in three lines of business

¹ 100 Lakh = 1 Crore = 10 Million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA Rating Publications

1. Manufacturing of Bulk Drugs – predominantly fermentation and chemistry-based bulk drugs
2. Real Estate - as part of real estate business, the company has also rented out premises, and
3. Power business - Power Generation through windmills (4 windmills with a total capacity of 5 MW) and co-generation power plants (3 plants with a total capacity of 11 MW) which is presently used for captive consumption for the operation of its Bulk Drugs business

In addition, Alembic also has equity investment in APL (29.18% stake) and other group companies.

Recent Results

For the twelve months ended March 31, 2016 (provisional), Alembic reported a profit after tax (PAT) of Rs. 24.7 crore on an operating income of Rs. 116.7 crore as against a PAT of Rs. 24.2 crore on an operating income of Rs. 136.9 crore for the twelve months ended March 31, 2015.

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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. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@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: +91 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: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
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: +91 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: +91 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: +91 9821086490

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: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

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