Rating Release

December 19, 2007
Mumbai

CRISIL reaffirms CADILA HEALTHCARE LIMITED's ratings

Rs.300 Million Non-Convertible Debenture Programme	AA+/Stable (Reaffirmed)
Rs.600 Million Commercial Paper Programme	P1+ (Reaffirmed)

CRISIL's ratings on Cadila Healthcare Ltd's (Cadila Healthcare's) debt instruments continue to reflect the company's established position in the domestic formulations market. The ratings are further strengthened by Cadila Healthcare's increasing revenues from contract manufacturing, initiatives to expand into the international generics markets, and robust profitability. These strengths are, however, partially offset by the company's limited geographic diversity.

Cadila Healthcare, the fifth-largest player in the domestic formulations market, has a strong position in key therapeutic segments such as cardiovascular, gastrointestinal, female healthcare, pain management, and anti-infectives. In 2006-07 (refers to financial year, April 1 to March 31), the company entered into 12 contract manufacturing arrangements with international companies, taking the cumulative number of contracts signed to 23, with a peak revenue potential of USD33.9 million. The company's business prospects are supported by its initiatives to augment its presence in the regulated generics markets in Europe and the US. Cadila Healthcare enjoys strong profitability with consolidated net profit margins of about 13 per cent in 2006-07 and a high return on capital employed of around 23 per cent. The company's export focus, new product launches, and cost-cutting initiatives drive its healthy revenues and profitability.

Cadila Healthcare derives almost 71 per cent of its revenues from the domestic market and any changes in domestic regulations, pricing, and taxation could have a significant impact on the company's financial profile.

Outlook: Stable

In CRISIL's opinion, Cadila Healthcare's diversified product profile and operational efficiencies provide stability to its credit profile. The outlook could be revised to 'positive' if the company's growth initiatives lead to a significant correction in its capital structure and debt protection measures. Conversely, the outlook could be revised to 'negative' if the business initiatives do not fructify, or debt-funded acquisitions further skew the capital structure.

About Cadila Healthcare

Cadila Healthcare, the flagship company of the Zydus Cadila group, is the fifth-largest Indian pharmaceutical company, and its diverse portfolio includes pharmaceuticals, diagnostics, herbal products, skin care products, and over-the-counter products. The company has a strong manufacturing base, comprising nine facilities, each identified for a specific target market. The formulation plant at Moraiya and the bulk activity plants at Ankleshwar and Vadodara (Banyan Chemicals) are approved by the United States Food and Drug Administration. During 2006-07, Cadila Healthcare set up a greenfield formulation facility at Sikkim and during 2005-06 a new plant at Baddi, Himachal Pradesh, both of which are eligible for tax holidays. In 2006-07, the company reported a net profit of Rs.2.4 billion on sales of Rs.17.9 billion, as against a net profit of Rs.1.5 billion and sales of Rs14.5 billion in the previous year. For the six months ended September 30, 2007 the company reported a net profit of Rs. 1.6 billion on sales of Rs. 11.8 billion, as aginst the net profit of Rs. 1.3 billion on sales of Rs. 9.2 billion in the corresponding period of the previous year.

previous year.

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