

## **Fitch affirms Claris Lifesciences Ltd at 'Fitch A-(ind)'**

---

**Reuters; Fri, 09 Mar, 2012 09:31 AM IST**

March 09 - Fitch Ratings has affirmed India-based Claris Lifesciences Ltd's (Claris) National Long-Term rating at 'Fitch A-(ind)' with a Stable Outlook. A full rating breakdown is provided at the end of this commentary.

The affirmed ratings reflect Claris' comfortable credit metrics. As at December 31, 2011, Claris' adjusted debt/ebitda was below 2.0x. The agency expects the company's credit metrics to remain comfortable (below 2.0x ) over the short to medium time frame. Furthermore, the rating also takes into account the following factors: Claris' focus as a manufacturer of injectibles that are used in the treatment of critical illnesses, its wide range of delivery systems and strong presence in the domestic IV fluid market and emerging markets.

Claris is expected to incur additional capex in 2012 and 2013, over and above the stated Initial public Offering (IPO) funded capex. This would mainly be used for expanding its capacity in IV fluids. However, this is not expected to result in a significant increase in debt due to expected gains in revenue, business operating margins and no major deterioration in its working capital cycle. As on December 31, 2011, Claris' total debt was ~INR4.1bn compared to INR3.6bn in the prior year. The agency also notes and has factored into the rating Claris' comfortable liquidity profile. For calendar year 2011 (CY11), cash flow from operations continued to remain positive and working capital limits were within the permissible range.

The company's revenues, operating profit and margins are likely to continue to come from domestic and emerging markets after CY11 and in the short to medium term. The construction of new hospitals will boost demand for IV fluids, and a price revision in the latter will help to drive growth further in the domestic market. Claris' growth in emerging economies will come from an increase in the number of product registrations in new and existing markets.

Claris' revenue growth in the regulated markets could remain constrained in the short term by the US Food and Drug Administration (USFDA) ban. Nonetheless, a loss of US revenues would be compensated by revenues from the robust demand for Claris' anesthetic product propofol in the EU. Fitch notes that the company is in the process of resolving the ban and the outcome is expected by CY12 pending the results of a re-inspection of the facility by the USFDA.

Positive rating guidelines include a successful resolution of the USFDA issue, sustained demonstration of growth in its regulated markets and adjusted debt/ebitda of below 1.0x on a sustained basis. However, an adjusted debt/EBITDA of above 2.0x on a sustained basis would be a negative rating guideline.

Claris' revenue growth was flat at INR7.4bn during CY11. This was mainly due to lower regulated market revenues - a result of the USFDA ban and a delay in product registrations in the EU. Operating margins remained at 2010 levels, i.e. 32%, despite lower than anticipated growth.