

Press Release

Hitech Formulations Private Limited

August 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.7.70 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) on the Rs. 7.70 crore bank facilities of Hitech Formulations Private Limited. The outlook is '**Stable**'.

Hi-Tech Formulations Private Limited (HFPL) was incorporated in 2002 and the company is promoted by Mr. Dharmender Singh Gulati. The company is engaged in manufacturing of products in the Dermatology, Dental and Cosmetology segments. The manufacturing facility is based in Baddi (Himachal Pradesh).

Lyra Laboratories Private Limited (LLPL) was incorporated in 2005 by Mr. Dharmender Singh Gulati. The company is engaged in manufacturing of products in Dermatology and Cosmetology segments. The manufacturing facility is based in Baddi (Himachal Pradesh).

Analytical Approach

Acuite has consolidated the financials of HFPL and LLPL together known as Hi-Tech group to arrive at the rating. The consolidation is on the view of the common management, similar operations and linkages within the group.

Key Rating Drivers

Strengths

- **Reputed clientele**

The group caters to reputed clientele including Cadila Pharmaceuticals Limited, Dr. Morepen Limited, KLM laboratories Limited among others.

- **Healthy operating margins and profitability**

The group has reported operating margins of 14.08 percent in FY2018 (Provisional) as against 8.52 percent in FY2017. This is on account of better formulations that they are developing and also due marketing of the products. The PAT margin of the group stood at 7.06 percent in FY2018 (Provisional) as against 3.84 percent in FY2017.

Weaknesses

- **Modest scale of operations**

The modest scale of operations is marked by operating income of Rs.33.91 crore in FY2018 (Provisional) as against Rs.23.43 crore in FY2017. Acuite believes that the ability of the group to increase scale of operations while sustaining its profitability margins will remain a key monitorable.

- **Competitive and fragmented industry**

Hi-Tech group operates in a highly fragmented and competitive healthcare industry with a large number of organized and unorganized players.

Outlook: Stable

Acuite believes that the outlook on Hi-Tech group will remain 'Stable' over the medium term backed by the profitability of the business. The outlook may be revised to 'Positive' in case of sustained growth in revenue while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case the group registers lower than expected revenue.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.91	23.43	24.31
EBITDA	Rs. Cr.	4.77	2.00	2.03
PAT	Rs. Cr.	2.40	0.90	1.21
EBITDA Margin	(%)	14.08	8.52	8.37
PAT Margin	(%)	7.06	3.84	4.99
ROCE	(%)	25.20	14.20	40.57
Total Debt/Tangible Net Worth	Times	0.76	0.97	0.42
PBDIT/Interest	Times	5.68	4.23	28.39
Total Debt/PBDIT	Times	1.60	3.61	1.25
Gross Current Assets (Days)	Days	182	207	142

Status of non-cooperation with previous CRA (if applicable)

Not Available

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE BB / Stable

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About Acuité Ratings & Research:

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