

Press Release

Formel Labs Private Limited

February 16, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned the long term rating of **ACUITE BB- (read as ACUITE Double B minus)** on Rs.50.00 Cr. bank facilities of Formel Labs Private limited (FLPL). The outlook is 'Stable'.

Rationale for Rating Assigned

The rating assigned takes into account experience of the management and locational advantage of the project. The rating is constrained by the high implementation risk as the execution of the project is still at its nascent stage.

About the Company

Incorporated in June, 2020, Karnataka based Formel Labs Pvt Ltd is set up to manufacture key intermediaries for Active Pharmaceutical Ingredients (APIs) like GEFITINIB Intermediate, FAMCICLOVIR Intermediate etc. The Company is under process to set up the manufacturing plant (a greenfield project). The plant will have an annual installed capacity of 82000 KL per year and will be located at Kadechur and Badiyal Industrial Area of Yadgir District of Karnataka. The project cost is estimated to cost around Rs.91.62 Cr, which will be funded by debt of Rs.55 Cr and balance by promoter funds. The debt tie up for the project is completed. The company is promoted and managed by Mrs. D Anitha and Mr. T Ravi Prasad along with their family members.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Formel Labs Pvt Ltd (FLPL) while arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

Formel Labs Private Limited (FLPL) is promoted and managed by Mrs. D. Anitha, (Managing Director), Mr. T. Ravi Prasad, (Executive Director) and their family members. The brother sister duo are established names in their respective industries. Mrs. D Anitha. has a rich experience of 28 years in the areas of procurement of Medicines, Manpower Planning and Human

Resource Development.. Mr. T. Ravi Prasad, is a qualified Civil Engineer having an experience of ~27 years in the areas of construction of large Dams and Hospitals and in Roads and Railway Projects. The directors are ably supported by a team of experienced professionals who have an industry experience of almost two decades.

Acuite believes FLPL will benefit from the extensive experience of the promoters and key management personnel.

- **Locational Advantage**

The plant will be located in the industrial hub at Kadechur and Badiyal area of Karnataka state. It is also near to Pharma city of India- Hyderabad. The R&D division of the company is established in Hyderabad city. The factory lands are well connected by roads, telecommunication lines and other Infrastructural facilities.

Acuite believes that the favourable locational advantage will benefit FLPL's business profile over the medium term.

Weaknesses

- **High Implementation risk**

The project execution is at its nascent stage. The total estimated cost of the project is Rs. 91.62 Cr out of which Rs. 8.88 Cr has been incurred as of September, 2022. The project is estimated to be completed by March, 2024. As of January 2023, the Company has received the necessary approvals to construct the plant, however, the risk of receipt of necessary regulatory and statutory approvals and certifications to commence commercial production (post completion of construction) prevails. Any delay in receiving approvals will in turn lead to cost overruns.

Acuite believes that timely completion and stabilization of operations without any cost overruns remain a key rating sensitivity factor over the medium term.

Rating Sensitivities

- Timely completion of the project
- Timely receipt of statutory approvals and certifications post construction

Material covenants

None

Liquidity Position Stretched

The project is at its initial stages of implementation. The debt tie-up is complete and is raised for seven years and four months with quarterly servicing of repayment obligations. The commencement of production is estimated to begin from FY2025, the repayments for the debt are estimated to begin from FY2026. The Company has availed moratorium on principal repayments for around one year excluding the construction period from the completion period of March 2024. The interest cost and other expenses incurred towards the plant during the construction period will be capitalised. Till the commencement of production in FY2025, the cashflow requirement to run the operations, will be met through infusion of funds by promoters. Hence, the liquidity position of the company is expected to remain stretched until the commencement of commercial operations.

Outlook: Stable

Acuite believes that FLPL will maintain a 'Stable' outlook over medium term on account of its experienced management and locational advantage of its plant. The outlook may be revised to 'Positive' in case of timely raising of funds and timely execution of the project.

Conversely, the outlook may be revised to 'Negative' in case of delays in project execution or cost overruns.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.01
PBDIT/Interest	Times	0.00	0.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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