



**Press Release**  
**Formel Labs Private Limited**  
**May 24, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB-   Stable   Assigned	-
Bank Loan Ratings	50.00	ACUITE BB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	55.00	-	-

**Rating Rationale**

Acuite has reaffirmed its 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'.

Acuite has assigned the long term rating of **ACUITE BB- (read as ACUITE Double B minus)** on Rs.5.00 Cr. bank facilities of Formel Labs Private limited (FLPL). The outlook is 'Stable'.

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 Kadachur 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 Kadachur 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. 20.12 Cr has been incurred as of March, 2023. 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Feb 2023	Term Loan	Long Term	50.00	ACUITE BB-   Stable (Assigned)

## 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   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BB-   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:moparthy.anuradha@acuite.in">moparthy.anuradha@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.