



**Press Release**  
**Formel Labs Private Limited**  
**August 21, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	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.55.00 Cr. bank facilities of Formel Labs Private limited (FLPL). The outlook is '**Stable**'.

**Rationale for reaffirmation:**

The rating reaffirmed takes into account experience of the management, locational advantage of the project and progress in the construction of project. The project has experienced a time overrun due to construction related issues, however, the cost over run remain minimal. The project has reported approximately 50 percent incremental progress which mitigates the implementation risk to some extent. Further, the company also secured debt tie up with the lender and has drawn 60 percent of the debt. Going forward, completion of the construction and commencing the operations as per the revised date of commencement of commercial operations (DCCO) will be a key monitorable.

**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.

### **Unsupported Rating**

Not Applicable

### **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. 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

### Implementation risk-

The project has reported 59.7 percent physical construction progress till July 31, 2024, with an incremental progress of 50 percent in past 15 months. Due to time over run, the management set the revised COD to April, 2025. As on date the Company has received the necessary approvals to construct the plant, however, there remains a risk of delays in receiving the required regulatory approvals and certifications post completion of construction. Any such delays could further postpone the commencement of production which in turn may lead to cost overruns.

## Rating Sensitivities

- Completion of the project within the revised timelines.
- Timely receipt of statutory approvals and certifications post construction.

## Liquidity : Stretched

FLPL's liquidity position remained stretched as the project is still under implementation. The project has experienced a time over run, with the revised DCCO set for April, 2025. Consequently, the lender has extended the moratorium period by another year and revised the repayment structure. The repayment of principal will commence from June, 2026, providing decent buffer. Additionally, presence of DSRA conditions to be implemented before the DCCO, provides support to liquidity. FLPL has created a DSRA of Rs.0.75Cr till July 31, 2024 and the remaining portion of Rs.1.10Cr is expected to be created in next 10 days, which covers one quarter's interest obligations. Additionally, the company has to maintain a DSRA equivalent to 6 months interest and principal repayment before the DCCO. This provides support towards liquidity during the construction period. Acuite believes, the liquidity position of the company is expected to remain stretched until the commencement of commercial operations.

**Outlook: Stable**

Acuité 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 completion of the project as per the revised timelines and registering more than expected turnover. 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 24 (Provisional)	FY 23 (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	1.15	0.69
PBDIT/Interest	Times	0.00	0.00

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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
24 May 2023	Term Loan	Long Term	50.00	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BB-   Stable (Assigned)
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 avl. / Not appl.	Term Loan	15 Jul 2023	Not avl. / Not appl.	15 Nov 2030	Simple	55.00	ACUITE BB-   Stable   Reaffirmed

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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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