

FEBRUARY 26, 2015

CARE ASSIGNS 'CARE BBB' & 'CARE A3+' TO THE BANK FACILITIES OF HONOUR LAB LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	80	CARE BBB (Triple B)	Assigned
Short term Bank Facilities	20	CARE A3+ (A Three Plus)	Assigned
Total Facilities	100		

Rating Rationale

The ratings assigned to the bank facilities of Honour Lab Limited (HLL) take into account strong parentage and experienced promoters with established track record, significant improvement in revenue and profitability in FY14 (refers to the period April 1 to March 31), moderate capital structure and debt coverage indicators, moderate working capital cycle and positive industry outlook. The ratings are, however, constrained by concentrated product profile with high dependence on group companies and volatility in raw material prices. The ability of the company to diversify the client base and improve the scale of operation while maintaining the profit margins and the ability to widen its product portfolio and any future capex and its funding mix are the key rating sensitivities.

Background

HLL, incorporated in November 2011 (commenced operation from May 23, 2012), is promoted by Dr B Parthasaradhi Reddy, the promoter of the Hetero group of companies. The company has a bulk drug (intermediaries) manufacturing unit located Bonthapally Village, Jinnaram Mandal, Medak district, Telangana, and two bulk drug manufacturing units located at MIDC (Maharashtra Industrial Development Corporation), Kurkumbh, dound, Pune. HLL, is currently, engaged in manufacturing of intermediates which is entirely supplied to Hetero Labs Limited to cater to the requirement of its API unit for Antiretroviral (ARV) drugs.

HLL has set up another bulk drug manufacturing unit in the special economic zone (for pharmaceuticals being promoted by Hetero Infrastructure (SEZ) Ltd.) at Narsapuram Village, Nakkapalli, Mandal, A.P.

During FY14, HLL reported PBILDT of Rs.32.63 crore (Rs.11.82 crore in FY13) with PAT of Rs.18.81 crore (Rs.7.75 crore in FY13) on a total operating income of Rs.113.37 crore (Rs.50.02 crore in FY13).

As per unaudited results for 9MFY15, HLL has achieved PBILDT of Rs.35.68 crore with PAT of Rs.27.15 crore on a total operating income of Rs.181.02 crore.

Analyst Contact

Name: Jumana Badshah

Tel: 040-69000503

Email: jumana.badshah@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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