March 06, 2025

HLL Lifecare Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based - Cash Credit	312.00	312.00	[ICRA]A- (Stable); reaffirmed
Short-term - Non-fund based facilities	350.00	354.00	[ICRA]A2+; reaffirmed
Long-term/Short-term-Unallocated	98.96	94.96	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Total	**760.96**	**760.96**	

Instrument details are provided in Annexure I

Rationale

The ratings action factors in ICRA's expectations that HLL Lifecare Limited (HLL) will continue to record a healthy growth in its scale of operations and margins, supported by store / capacity additions in healthcare services (diagnostics) and pharma retail segments and robust order inflow of the contraceptives segment, leading to an improvement in debt metrics. HLL is expected to record a healthy revenue growth of 15-20% in FY2025, supported by addition of new labs in the diagnostics segment, 28-32% growth in its pharma retail division on the back of addition of 30-40 centres, and growth in the contraceptives segment, given the healthy order inflow from the Central Government and the United Nations Population Fund (formerly the United Nations Fund for Population Activities). Revenue growth is expected to moderate to 8-12% in FY2026. The company's operating margins improved to ~6% in FY2024 from ~2% in FY2023 on the back of favourable revenue mix with increased share from the high-margin diagnostics and pharma retail segments and improved realisations in the contraceptives segment. Moreover, ~Rs. 26.0 crore received in FY2024 towards price escalation claims of contraceptives supplied in the past supported the company's margins. The operating margin is expected to remain at a similar level, going forward. The company's financial profile remains comfortable, marked by low debt levels and healthy cash balances, leading to comfortable leverage and coverage metrics.

The ratings further consider HLL's established track record as the largest condom supplier to the Government of India (GoI), and its captive status for condoms and oral contraceptive pills (OCPs), which mitigate potential demand risks. The ratings also consider the healthy pan-India presence of HLL's Moods brand through its distribution network. HLL's ratings also derive comfort from its diversified business segments and product portfolio. The company operates in contraceptives, retail pharmacy chain, healthcare services, healthcare products and trading, consultancy and contract segments.

HLL's ratings are, however, constrained by continued losses in healthcare products, limiting the improvement in earnings. The ratings factor in HLL's stretched receivables cycle owing to often delayed and lumpy nature of settling dues by the GoI, leading to working capital intensive operations. The ratings are constrained by the qualified auditor's opinion, which highlights weak internal controls in certain areas such as receivables management and communication of financial information. ICRA also notes the GoI's planned strategic stake divestment of HLL, whereby it is looking at divesting its entire stake in HLL.

The Stable outlook on the long-term rating reflects ICRA's opinion that HLL will continue to benefit from healthy demand for healthcare services and pharmacy trading segments, which would support improvement in scale of operations, margins and debt profile.

Key rating drivers and their description

Credit strengths

GoI-owned enterprise – HLL is a 100% GoI-owned enterprise. It has an experienced management and a considerable track record of nearly five decades in the contraceptives space with operations since 1969. HLL is the largest contraceptive supplier and captive unit to the GoI for distribution under free distribution and social marketing schemes of the National Family Welfare Programme (NFWP). After lower offtake during the Covid-19 pandemic, demand for contraceptives from the Government has been improving. ICRA expects the company to record healthy revenue growth of 5-10% from this segment in FY2025 on the back of stable demand. The company has submitted claims for price revision compensation for contraceptives supplied in FY2021, and the quantum for the same is yet to be ascertained. ICRA expects the company to record a healthy revenue growth in FY2026 as well, given the healthy demand for exports from African and the United Nations Population Fund (UNFPA), along with healthy demand from the Government.

Diversified business segment and product portfolio – HLL has diversified revenue streams as it operates in contraceptives, pharmacy retail, healthcare services, healthcare products, consultancy and contract segments. It has witnessed healthy sales at its retail pharmacy chain, wherein it is expanding its network. HLL is also focusing on healthcare services, where it operates diagnostic labs. While the healthcare products division is loss making, retail pharma, healthcare services, and consultancy and contract divisions are relatively margin accretive for HLL and are, therefore, expected to contribute higher revenues, going forward. Margins in the contraceptives segment improved in FY2024 on the back of improved realisations and compensation for price revisions.

Established brand and healthy market share in commercial contraceptives segment – HLL's Moods brand is one of the largest in the domestic commercial male contraceptives segment and enjoys a good brand recall, benefitting from a pan-India presence through an extensive distribution network.

Credit challenges

Stretched receivables cycle, resulting in working capital intensive operations – HLL's operations remain working capital intensive as often delayed and lumpy nature of settling dues by the GoI result in high debtors. The receivables increased to ~Rs.2,129.0 crore as on December 31, 2024, from ~Rs. 1,400.0 crore as on March 31, 2024, owing to delays in payments from the Government, mainly for pharma retail and healthcare services. However, it enjoys a high credit period from suppliers, supporting the cash flows to some extent. Improvement in the receivables cycle would remain a key monitorable.

Subdued earnings from a few business segments – Manufacturing divisions, such as contraceptives and healthcare products, have been incurring losses over the past few years owing to lower scale and higher input costs, which could not be passed on to the customers. While the contraceptives division turned profitable in FY2024, supported by compensation received for price revisions of products supplied in the past, sustenance of the same remains a monitorable. Revenues from the healthcare products division declined in the past three years owing to lower offtake from the Government as resources were mainly deployed towards battling Covid-19. However, the demand is witnessing a gradual improvement. Moreover, improved realisations for a few services / products reduced the extent of losses in 9M FY2024. Intense competition is expected to keep the margins under check for these segments.

Qualified auditor's opinion – The company's statutory auditors have given a qualified opinion in FY2024 annual report stating weak internal controls in certain areas such as receivables management and internal financial communication. The management has stated that it is working on improving the same, going forward.

Liquidity position: Adequate

The company had cash and bank balances of ~Rs. 542.0 crore with a buffer of Rs. 170-180 crore in working capital limits against the sanctioned limits as on December 31, 2024. Against this, HLL has nil debt repayment obligations and capex plans of Rs. 50-60 crore in the next 12 months, to be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade HLL's ratings if there is a sustained improvement in revenue and profitability, supported by favourable pricing policy, and efficient working capital management, leading to a healthy improvement in capital structure and coverage indicators, on a sustained basis.

Negative factors – Pressure on HLL's rating could emerge if a significant moderation in revenues or earnings impacts its financial profile or if a stretch in its working capital cycle affects its liquidity position. Significant weakening of linkages with the Government of India, or any larger capex plans impacting the liquidity profile, could also exert pressure on the company's ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology FMCG Diagnostic service providers Retail
Parent/Group support	Parent/Group Company: Government of India (GoI) The assigned rating factors in its strategic importance to the GoI, which ICRA expects should induce the GoI to extend timely financial support to the rated entity, should there be a need.
Consolidation/Standalone	The ratings are based on the company's consolidated financial profile

About the company

HLL Lifecare Limited (HLL) is a Miniratna [Category-I] enterprise, fully owned by the GoI under the administrative control of the Ministry of Health and Family Welfare (MoHFW). Established in 1966, HLL has a rich legacy of over 50 years and currently operates through a network of 21 offices and eight state-of-the-art manufacturing facilities, servicing public and private markets across 85 countries.

HLL, through its subsidiaries, associates, and JV, is involved in manufacturing and marketing of a range of contraceptives, women's healthcare products, hospital supplies as well as other pharmaceutical products. The company is also involved in providing healthcare and diagnostic services, consultancy and contract services for healthcare infrastructure projects and consultancy services for procurement of medical equipment and devices in the healthcare sector.

HLL, through its subsidiaries, associates, and JV, has a strong domestic distribution network covering about 1.5 lakh retail outlets across major cities and over 1 lakh remote villages. Internationally, HLL's products are exported to over 85 countries and are also provided to global public health programmes managed by international agencies like United Nations Population Fund, United Nations Office for Project Service, United Nations High Commissioner for Refugees, World Health Organisation etc.

Key financial indicators (audited)

Company name (consolidated)	FY2023	FY2024
Operating income	4140.8	4202.4
PAT	54.5	191.8
OPBDIT/OI	2.0%	5.9%
PAT/OI	1.3%	4.6%
Total outside liabilities/Tangible net worth (times)	2.9	2.8
Total debt/OPBDIT (times)	5.1	1.3
Interest coverage (times)	3.9	7.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)			Chronology of rating history for the past 3 years							
						FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 06, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long-term	312.00	**[ICRA]A- (Stable)**	Apr 02, 2024	[ICRA]A- (Stable)	Feb 22, 2024	[ICRA]A- (Stable)	Jan 19, 2023	[ICRA]A- (Stable)	Dec 23, 2021	[ICRA]A- (Stable)
Non-Fund Based	Short-term	354.00	**[ICRA]A2+**	Apr 02, 2024	[ICRA]A2+	Feb 22, 2024	[ICRA]A2+	Jan 19, 2023	[ICRA]A2+	Dec 23, 2021	[ICRA]A2+
Term Loan	Long-term	-	-	-	-	-	-	-	-	Dec 23, 2021	[ICRA]A- (Stable)
Unallocated Limits	Long term/ Short term	94.96	**[ICRA]A- (Stable)/ [ICRA]A2+**	Apr 02, 2024	[ICRA]A- (Stable)/ [ICRA]A2+	Feb 22, 2024	[ICRA]A- (Stable)/ [ICRA]A2+	Jan 19, 2023	[ICRA]A- (Stable)/ [ICRA]A2+	Dec 23, 2021	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Cash Credit	Simple
Short Term Non-Fund Based	Very Simple
Long Term/Short Term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Cash Credit**	-	-	-	312.00	[ICRA]A-(Stable)
NA	**Non-fund based limits**	-	-	-	354.00	[ICRA]A2+
NA	**Long-term/ Short-term Unallocated Limits**	-	-	-	94.96	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Goa Antibiotics and Pharmaceuticals Limited	80%	Full Consolidation
HLL Infratech Services Limited (HITES)	100%	Full Consolidation
Life Springs Hospitals Pvt Ltd	50%	Equity Method
HLL Mother & Child Care Hospitals Limited	100%	Full Consolidation
Hindustan Latex Family Planning Promotion Trust	NA	Full Consolidation

Source: Annual Report; HLL is the sponsor of Hindustan Latex Family Planning Promotion Trust

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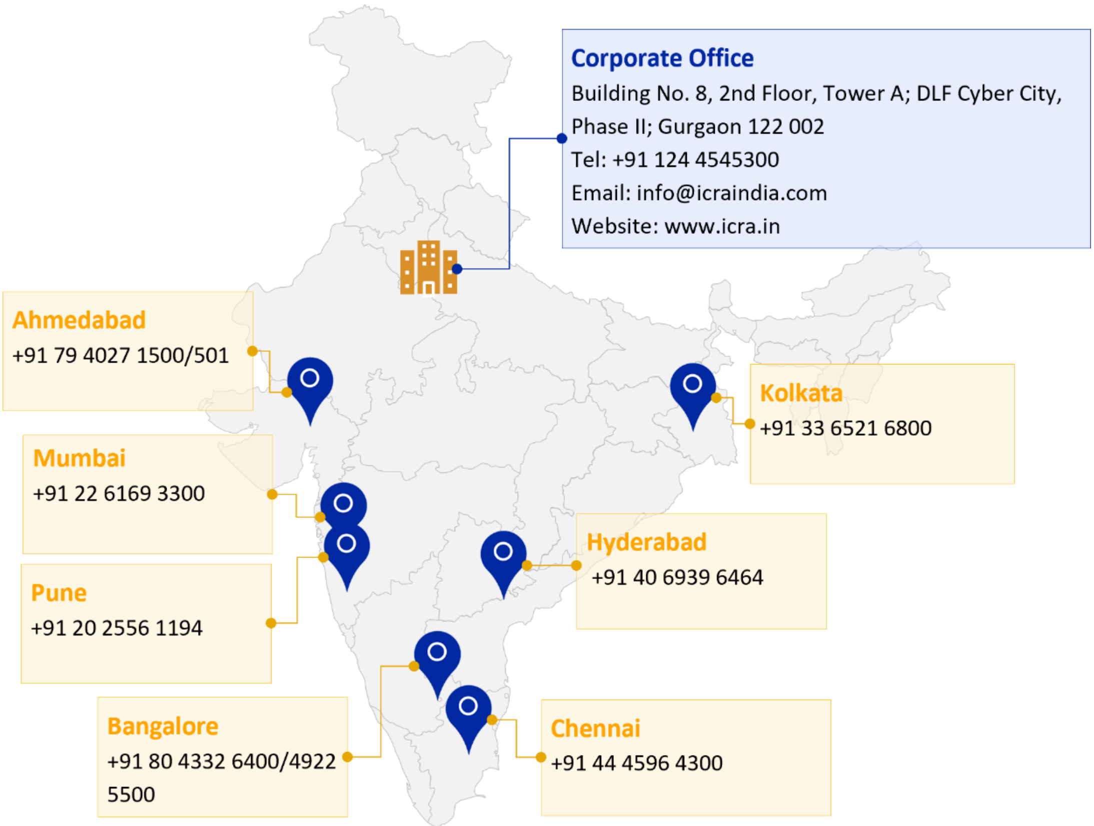

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