

## HIKAL Limited

	Amount O/s Rs. Crore	Rating Action December 2015
Long Term - Term Loan	Revised from 221.4 to 260.0	[ICRA]BBB Stable reaffirmed
Long Term - Term Loan (US\$ million)	Revised from 25.67 to 31.33	[ICRA]BBB Stable reaffirmed
Long Term -Bank Lines (Cash Credit)	Revised from 214.0 to 199.0	[ICRA]BBB Stable reaffirmed
Short Term - Fund based	Revised from 171.0 to 194.0	[ICRA]A2 reaffirmed
Short Term- Non fund based	55.0	[ICRA]A2 reaffirmed

ICRA has reaffirmed the [ICRA]BBB (pronounced ICRA triple B) rating assigned to revised Rs. 199.00 crore Fund based limits, Rs. 260.00 crore Term loans and US\$31.33 million term loans. The outlook on the long term rating is stable. ICRA has also reaffirmed the short term rating of [ICRA]A2 (pronounced ICRA A two) to the revised Rs. 194.00 crore fund based limits and Rs. 55.00 crore non fund based limits. Though a part of the long term loans of HIKAL are denominated in foreign currency, ICRA's ratings for the same are on national rating scale, as distinct from an international rating scale.

The rating reaffirmation takes into improvement in liquidity and coverage indicators on account of debt refinancing coupled with ballooning debt repayment. The company has been posting healthy operating margins over the last few years, though sustained pricing pressure on the generic portfolio and lower demand for Crop Protection business has led to margin decline during FY15 and H1FY16. The ratings continue to be supported by strong product profile including pending new launches, entrenched relationship with leading Pharma and Agro chemicals companies in the world, strong market position for Gabapentin business. Going forward, the margins are expected to remain stable supported by new as well as pipeline products coupled with moderate capex plans supporting liquidity profile. The ratings are however constrained by high level of debt, high product concentration for its Pharma and Agro chemical business and high working capital intensity given the nature of the contract manufacturing business

The key rating sensitivities will be sustained margin pressure for key APIs leading to lower cash accruals and larger than expected capex.

### Company Profile

Hikal Limited was incorporated on 8<sup>th</sup> July 1988 as a private limited company with the name Hikal Chemicals Industries Private limited, by the Hiremath family and Surajmukhi Investments & Finance Limited, a wholly owned subsidiary of Kalyani Steels Limited as the shareholders. Subsequently in 2000, the name was changed to Hikal limited while the company got listed in 1995. The company started commercial production in 1991 at Mahad facility for manufacturing intermediates for dyes, pharmaceuticals and agrochemicals. The plant at Taloja was built in technical collaboration with Merck and is the only fully integrated plant to produce Thiabendazole in the world. The facility at Panoli was acquired from Novartis in 2000 and produces key intermediates and regulatory starting materials for the pharmaceutical industry and is US FDA, PMDA (Japan) and EU certified. The Bangalore facility manufactures key APIs for the pharmaceutical industry and has been approved by the US FDA, PMDA (Japan) and the European Union Authorities. The company has a research and development center in Pune which provides end to end services from API custom synthesis, analytical development and scale up to commercial manufacturing.

### Recent Results

During FY15, HIKAL reported consolidated operating Income of 871.9 crore, OPBDITA margin of 21.1% and net margin of 4.6%. During H1FY16, the company reported operating Income of 395.5 crore, OPBDITA margin of 19.1% and PAT margin of 1.7%.

**December 2015**



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