

April 3, 2023

Hikal Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating (Outstanding)
Long-term Term Loan	484.70	484.70	[ICRA]A+ (Stable)
Long-term – Fund-based – Working Capital	254.00	254.00	[ICRA]A+ (Stable)
Long-term Term Loan (\$ million) [#]	5.44	5.44	[ICRA]A+ (Stable)
Unallocated Long-term Loan (\$ million) [#]	0.83	0.83	[ICRA]A+ (Stable)
Short-term – Fund-based	230.50	230.50	[ICRA]A1
Short-term – Non-fund Based	115.00	115.00	[ICRA]A1
Unallocated Short-term – Fund-based	10.00	10.00	[ICRA]A1
Total	1,094.20 \$6.27 million	1,094.20 \$6.27 million	

*Instrument details are provided in Annexure-I

[#]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

Rationale

Hikal Limited (Hikal) issued a notification on March 23, 2023 related to the the suit filed by its promoters, Mr. Jaidev Hiremath and Mrs. Sugandha Hiremath (Hiremath family) under the Specific Relief Act, 1963, in the High Court Judicature at Mumbai on March 18, 2023. As per the suit, the Hiremath Family has sought specific performance of obligations cast on the BNK Group (Mr. Babasaheb N Kalyani, Kalyani Investment Company Limited (KICL), BF Investment Limited (BFIL) and Mr. Amit Kalyani) pursuant to a family arrangement between Mr. Babasaheb N Kalyani and his parents, whereby the shares of the company held by KICL and BFIL were required to be transferred to the Hiremath Family. Additionally, reliefs have also been sought to restrain the BNK Group from acting in furtherance of the applications for pre-dealing approval dated March 13, 2023.

ICRA notes that the suit pertains only to the transfer of shares from KICL and BFIL to the Hiremath family and that there are no monetary claims against Hikal. Furthermore, based on the discussion with Hikal's management, ICRA understands that this suit is not expected to have any adverse impact on the company's operations or its banking arrangements. ICRA will continue to monitor the developments in this regard and possible impact on the credit risk profile of the company, if any, and take an appropriate rating action as and when required.

Please refer the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities, key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry Rating Methodology for Entities in the Agrochemicals Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Hikal Limited. As on December 31, 2022, the company had two subsidiaries, who are listed in Annexure-2.

About the company

Hikal was incorporated on July 8, 1988, as the private limited company, Hikal Chemicals Industries Private Limited, by the Hiremath family and Surajmukhi Investments & Finance Limited, a wholly-owned subsidiary of Kalyani Steels Limited. The company was listed in 1995; and was subsequently renamed as Hikal Limited in 2000.

The company has a commercial production facility at Mahad (Maharashtra) for intermediates used in dyes, pharmaceuticals and agrochemicals. The plant at Taloja (Maharashtra), which manufactures crop protection chemicals is the only fully integrated plant in the world for producing Thiabendazole. The facility at Panoli (Gujarat) produces key intermediates and regulatory starting materials for the pharmaceutical industry and is USFDA, PMDA (Japan) and EUGMP certified. The Bangalore facility manufactures key APIs for the pharmaceutical industry and has been approved by the USFDA, PMDA (Japan) and EU Authorities. The company has a research and development centre in Pune (Maharashtra), which provides end-to-end services from APIs, custom synthesis, analytical development and scale up from development to commercial manufacturing.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years						
		Type	Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2022 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022			Date & rating in FY2021	
						April 3, 2023	Mar 14, 2023	Jun 20, 2022	Mar 8, 2022	Jan 21, 2022	Dec 16, 2021	Mar 5, 2021
1	Term loans	Long-term	484.70	404.7	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+@	[ICRA]A+&	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)
2	Working Capital Facility	Long-term	254.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+@	[ICRA]A+&	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)
3	Term loan (USD million)	Long-term	5.44	5.44	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+@	[ICRA]A+&	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)
4	Term loan Unallocated (USD million)	Long-term	0.83	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-	-	-	-	-
5	Working Capital Facility	Short-term	230.50	-	[ICRA]A1	[ICRA]A1	[ICRA]A1@	[ICRA]A1&	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
6	Non- fund Based Facility	Short-term	115.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1@	[ICRA]A1&	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
7	Unallocated fund-based	Short-term	10.00	-	[ICRA]A1	[ICRA]A1	-	-	-	-	-	-

@: Rating watch with Negative Implications

&: Rating Watch with Developing Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term term loan	Simple
Long-term fund-based – Working capital	Simple
Long-term term loan (USD million)	Simple
Unallocated long-term loan (USD million)	NA
Short-term fund-based	Simple
Short-term non-fund based	Very Simple
Unallocated short-term fund-based	NA

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	Term Loan-I	FY2016	8.6%	FY2023	4.00	[ICRA]A+ (Stable)
NA	Term Loan-II	FY2016	7.5%	FY2023	7.50	[ICRA]A+ (Stable)
NA	Term Loan-III	FY2016	10.3%	FY2023	3.00	[ICRA]A+ (Stable)
NA	Term Loan-IV	FY2016	8.2%	FY2023	1.00	[ICRA]A+ (Stable)
NA	Term Loan-V	FY2016	7.9%	FY2023	6.50	[ICRA]A+ (Stable)
NA	Term Loan-VI	FY2016	8.2%	FY2023	2.00	[ICRA]A+ (Stable)
NA	Term Loan-VII	FY2016	8.3%	FY2023	2.00	[ICRA]A+ (Stable)
NA	Term Loan-VIII	FY2019	9.9%	FY2027	54.8	[ICRA]A+ (Stable)
NA	Term Loan-IX	FY2019	7.4%	FY2028	57.4	[ICRA]A+ (Stable)
NA	Term Loan-X	FY2021	7.7%	FY2029	246.50	[ICRA]A+ (Stable)
NA	Term Loan-XI	FY2023	8.0%	FY2031	100.00	[ICRA]A+ (Stable)
NA	Term Loan-XII	FY2016	NA	FY2024	USD 5.44 million	[ICRA]A+ (Stable)
NA	Term loan Unallocated	NA	NA	NA	USD 0.83 million	[ICRA]A+ (Stable)
NA	Working capital Facilities	NA	NA	NA	254.00	[ICRA]A+ (Stable)
NA	Fund based facilities	NA	NA	NA	230.50	[ICRA]A1
NA	Non-fund based facility	NA	NA	NA	115.00	[ICRA]A1
NA	Unallocated	NA	NA	NA	10.00	[ICRA]A1

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	LTHL Ownership	Consolidation Approach
Acoris Research Limited	100.00%	Full Consolidation
Hikal LLC, USA	100.00%	Full Consolidation

Source: Hikal quarterly results, December 31, 2022

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