

March 24, 2023

Bharat Biotech International Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short term – non-fund based working capital facilities	466.00	466.00	[ICRA]A1+; Reaffirmed
Long term / Short term – Fund based/non-fund-based facilities	205.00	205.00	[ICRA]AA (Stable)/ [ICRA]A1+; Reaffirmed
Total	671.00	671.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of ratings continues to consider the extensive experience of the promoters along with the established presence of Bharat Biotech International Limited (BBIL or the company) in the domestic vaccine market for over two decades. BBIL has a wide portfolio of vaccines on the back of strong product development capabilities and its collaborations with reputed national and international organisations. BBIL has three World Health Organization pre-qualified (WHO PQ) vaccines—typhoid conjugate vaccine (TCV), rotavirus vaccine (RV) and oral polio vaccine (OPV)—which is expected to support its export supplies, going forward. BBIL developed India’s first indigenous Covid-19 vaccine (COVAXIN) in partnership with the Indian Council of Medical Research (ICMR) and the National Institute of Virology (NIV). COVAXIN accounted for ~12% of the total vaccines administered to adults in India. Accruals from COVAXIN sales resulted in substantial improvement in scale of operations and liquidity position of BBIL in FY2022. The company has sizeable cash reserves in addition to large bonds/equity investments indicating a strong liquidity position. The company’s debt metrics remain strong with robust capital structure and coverage metrics (TD/TNW of 0.2 time and interest coverage of 157.6 times as on December 31, 2022, on a standalone basis). BBIL also has a healthy order book position for FY2024 supporting its business prospects.

ICRA notes that BBIL had high COVAXIN inventory (including drug substance and finished product) as of March 31, 2022, part of which is expected to be written off over the near term. The company is highly dependent on the institutional segment, which accounted for ~75% of its revenues in FY2022 due to the Covid-19 vaccination programme. Higher dependence on Government institutions (which contributed ~37% to its revenues in 9M FY2023) could result in delays in payments and timely off-take of inventories resulting in an elongated working capital cycle. BBIL is expected to maintain a certain level of inventory to meet the customer delivery schedules, resulting in moderate working capital intensity over the near term. BBIL’s product concentration is high with most of its revenues driven by COVAXIN in FY2022, while its top three vaccines mainly drove its revenues in 9M FY2023. The rating also factors in the increasing competition and notes that new entrants in key revenue generating vaccines such as RV, TCV and Japanese encephalitis (JE) could exert pressure on the company’s margins. Nevertheless, BBIL’s strong market position for RV and TCV is expected to support its business prospects.

Any significant debt-funded capex or major inorganic expansion continues to remain an event risk and would be evaluated on a case-to-case basis.

The Stable outlook on the long-term rating reflects ICRA’s opinion that BBIL will continue benefiting from its established market position in its key revenue generating vaccine and healthy order book levels. Strong financial profile supported by robust liquidity position and healthy operating profit margins further support the rating outlook.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established presence in domestic vaccine market – BBIL has a demonstrated track record of more than two decades in manufacturing vaccines with large production capacity and a wide product profile, including vaccines for polio, rotavirus, rabies, typhoid, hepatitis, and the pentavalent vaccine. The extensive experience of the promoters in the vaccine space will continue to support the business profile of the company.

Strong track record of development capabilities – BBIL has launched more than 20 products since its inception. It is the first company in the world to launch the TCV and the first in India to launch the RV. In Q4 FY2020, the company launched a second-generation RV, which can be stored at 2-8° Celsius (against the first-generation vaccine, which required -20° Celsius for storage) at par with other global players. Further, the company has developed India's first indigenous Covid-19 vaccine in FY2021 demonstrating its strong development capabilities. In addition, it has also been associated with reputed national and international organisations, which have provided support in the form of grants and access to low-cost funding for product development and clinical trials.

Financial profile characterised by strong revenue growth, healthy margins in addition to robust liquidity and nil debt position – The company witnessed substantial improvement in revenues to Rs. 8,148.1 crore in FY2022 from Rs. 1,501.2 crore in FY2021 primarily on the back of ramp-up in COVAXIN supplies in the domestic market. Despite sharp decline in COVAXIN supplies, BBIL recorded revenues of ~Rs. 1,490 crore during 9M FY2023 supported by ramp-up in supplies of its key products (RV, TCV and JE). The operating profit margins of the company remained healthy at 33.6% in 9M FY2023; however, OPM declined from 61.7% in FY2022 due to substantial reduction in scale of operations coupled with change in product mix. JE vaccine which derives lower realisation contributed to relatively higher revenues than previous years resulting in margin contraction. The company has a strong financial profile with a robust capital structure and coverage metrics (Total debt/Tangible net worth of 0.2 times and interest coverage of 157.6 times as on December 31, 2022, on a standalone basis). Further, the company is expected to demonstrate nil debt position as of March 31, 2023. In addition, BBIL has sizeable cash reserves and large bonds / equity investments.

Healthy order book position – BBIL enjoys a healthy order book position backed by its existing product supplies to domestic as well as export markets. Going forward, with improving supplies for non-Covid vaccines, expected product launches in new markets and its established market position, BBIL's business prospects are likely to improve.

Credit challenges

High product concentration – While COVAXIN contributed to most of its revenues in FY2022, the company's top three vaccines drove majority of its revenues in 9M FY2023. While OPV was the key revenue contributor in the past, the company's dependence on OPV has decreased sharply with steady ramp-up in the volumes of TCV, RV and JE. Although the company faces competition in the RV and JE segments, BBIL has a strong market position in export markets for TCV.

Large dependence on Government institutions; moderate working capital intensity – GoI institutions remain the largest customer segment for BBIL, accounting for ~75% in FY2022 due to its high COVAXIN supplies. Despite reduction in COVAXIN supplies, the government institutions contributed to ~37% of its revenues in 9M FY2023 backed by its existing vaccine supplies (mainly RV and JE). This exposes BBIL's revenue growth and earnings to fluctuations in order quantity by GoI institutions and could also result in delays in payments and timely off-take of inventories resulting in elongation of working capital cycle. As on December 31, 2022, the company's working capital intensity was moderate at ~25% (standalone basis) mainly due to higher inventory levels. While portion of the COVAXIN inventory is expected to be written off, BBIL would need to maintain a certain level of its inventory to meet the customer delivery schedules, thereby resulting in moderate working capital intensity over the near term.

Competitive pressure in vaccine segment – BBIL was the only manufacturer of RV in India until 2017 and consequently bagged 100% of the orders floated by the GoI for the Universal Immunization Program (UIP). Although BBIL’s market share declined in subsequent years with the launch of RV by competitors, it has maintained a healthy market position in the domestic RV segment. Going forward, increasing competition and new entrants in the key revenue-generating vaccine segments like RV, TCV and JE could exert pressure on its margins. Nevertheless, BBIL’s strong market position for RV and TCV are expected to support its business prospects.

Liquidity position: Strong

BBIL’s liquidity is strong characterised by sizeable cash and liquid investments, in addition to large investments in bonds and equity instruments. The company also did not utilise its fund based working capital limits of Rs. 130.0 crore for the 12-month period ending January 2023. While its capex is estimated to be ~Rs. 250 crore in FY2023, BBIL’s capex outlay for FY2024 and FY2025 is expected to be relatively lower at ~Rs. 50-100 crore per annum towards maintenance capex. ICRA expects BBIL’s liquidity position to remain strong over the medium term on the back of its healthy accruals as well as existing cash and liquid investment reserves.

Rating sensitivities

Positive factors – The rating can be upgraded in case of a sustained increase in scale of operations and earnings, with diversification across products while maintaining a strong liquidity position and debt coverage metrics.

Negative factors – Pressure on the company’s ratings could arise in case of a sustained deterioration in its operational performance or significant debt-funded capex/ acquisitions, leading to the weakening of its credit profile and liquidity position. Specific metric that could result in a rating downgrade would be net debt/OPBDITA more than 1.25x on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry Consolidation Rating Approach
Parent/Group Support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has taken consolidated financial statement of BBIL.

About the company

Incorporated in 1996, BBIL is promoted by Dr. Krishna Ella and has a manufacturing facility in Hyderabad. As on February 28, 2023, the promoter family held ~86% equity stake in the company, directly or indirectly. Other investors, including private equity investors, held the balance equity stake in the company.

BBIL’s key products in the vaccine segment are TCV, RV, JE vaccine and OPV. While OPV has been a key revenue contributor for BBIL over the years, it started deriving most of its revenues from RV and TCV following a healthy ramp-up in these markets. The company also developed COVAXIN during FY2021, which contributed to substantial improvement in its revenues and liquidity position in FY2022.

Key financial indicators

BBIL Consolidated	FY2021	FY2022
Operating income (Rs. crore)	1,501.2	8,148.1
PAT (Rs. crore)	421.7	2,895.9
OPBDITA/OI (%)	42.7%	61.7%
PAT/OI (%)	28.1%	35.5%
Total outside liabilities/Tangible net worth (times)	1.1	1.1
Total debt/OPBDITA (times)	1.0	0.3
Interest coverage (times)	33.4	77.9

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; All Amounts as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years				
		Amount Rated (Rs. crore)	Amount outstanding as of Dec 31, 2022 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
				Mar 24, 2023	Jan 31, 2022	Oct 16, 2020	Aug 19, 2019	
1	Non-fund based working capital facilities	Short-term	466.00	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Long Term/Short term – Fund based/non-fund based facilities	Long term/Short term	205.00	--	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]A+ (Positive)/ [ICRA]A1+
3	Fund based working capital facilities	Long-term	--	--	-	-	[ICRA]AA- (Stable)	[ICRA]A+ (Positive)
4	Fund based working capital facilities	Short-term	--	--	-	-	-	[ICRA]A1+

Amount in Rs. Crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund based working capital facilities	Very Simple
Long Term/Short term – Fund based/Non-fund based facilities	Simple

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 No	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-fund based working capital facilities	FY2021	NA	NA	466.00	[ICRA]A1+
NA	Long Term/Short term – Fund based/Non-fund based facilities	FY2021	NA	NA	205.00*	[ICRA]AA (Stable) / [ICRA]A1+

Source: Company; Note: Amounts in Rs. crore; *Rs 80.00 crore is one-way interchangeable with letter of credit / bank guarantee; balance is two-way interchangeable between fund based and non-fund based limits

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	BBIL Ownership	Consolidation Approach
Chiron Behring Vaccines Private Limited	100.00%	Full Consolidation

Source: Company annual report FY2022

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