January 16, 2024

Vins Bioproducts Limited: Ratings upgraded; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	10.00	10.00	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Positive) and outlook revised to Stable from Positive
Long-term – Non-fund Based	3.00	7.50	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Positive) and outlook revised to Stable from Positive
Long-term – Unallocated	4.50	0.00	-
Total	**17.50**	**17.50**	

Instrument details are provided in Annexure-I

Rationale

The rating upgrade factors in expected improvement in revenues and earnings of Vins Bioproducts Limited (VBL) on the back of healthy order inflow, especially from the domestic market, and significant increase in realisations of its key product, anti-snake venom serum (ASVS), leading to an improved credit profile. Moreover, the company is expected to undertake Rs. 20–25-crore capex in FY2024 and FY2025, which would increase its capacity by ~50-70%. Enhanced capacity and healthy demand are expected to support revenue and earnings growth in the medium term, while capex would be funded entirely by internal accruals.

The rating also considers the strong market position of VBL's key products—ASVS and anti-rabies serum (ARS)—and its reputed customer base of various Indian state government entities and government departments of various countries in Asia and Africa. The company has a healthy market share in these products and an established presence in Asia and Africa. Moreover, the complex manufacturing process and strict regulations in the industry act as entry barriers, leading to limited competition. The rating also considers the company's strong financial profile, characterised by healthy profitability, low debt levels, comfortable coverage indicators and a strong liquidity position.

The rating, however, is constrained by VBL's modest scale of operations, as indicated by revenues of ~Rs. 99.9 crore in FY2023 and Rs. 73.8 crore in 8M FY2024. However, ICRA notes that the company has a niche product profile and is expected to record a healthy revenue growth of 30-40% in FY2024, on the back of healthy demand and increased realisations. The rating also considers VBL's high product concentration risk as its ASVS, ARS and anti-tetanus (ATT) serum accounted for over 70% of its revenues in FY2023.

The rating is also constrained by high working capital intensity of operations with elongated receivable period and high inventory holding as most of its clients are Government departments. The company's receivables increased over the past 12 months owing to delays in payments from domestic clients. The rating considers challenges in scaling up production owing to the highly regulated manufacturing process and risks associated with tender-based orders. The company's margins are exposed to exchange rate fluctuation risks, given its significant share of export revenues.

The Stable outlook on the rating reflects ICRA's opinion that VBL's credit profile will improve with expected improvement in its scale of operations on the back of improved demand. The company will continue to benefit from its healthy market share and maintain its strong financial profile.

Key rating drivers and their description

Credit strengths

Strong market position in key products – The company is one of the largest manufacturers of sera products in India and enjoys a strong market share in its key products, ASVS and ARS. It faces limited competition on account of the complex manufacturing process and strict regulations in the industry, which act as entry barriers, leading to limited competition.

Established industry presence in the industry with reputed customer base – VBL has an established presence in Asia and Africa, which are the major markets for ASVS and ARS. It has a reputed customer base, which includes various Indian state government departments as well as Government departments of various countries in Asia and Africa. VBL has also been receiving repeat orders from its customers.

Strong financial profile – The company's margins remained healthy at ~28% in FY2023. Its margins are expected to remain healthy at 28-30% in the near term with increased scale and higher realisations. Low debt levels and healthy margins resulted in strong coverage indicators. The company has capex plans of Rs. 20-25 crore per annum in FY2024 and FY2025, which would be funded through internal accruals. In the absence of any major debt-funded capex plans, the company's debt protection metrics are expected to remain healthy going forward as well.

Credit challenges

Modest scale of operations with high working capital intensity – VBL has a modest scale of operations with revenues of Rs. 99.9 crore in FY2023 and ~Rs. 74.0 crore in 8M FY2024, with an order book of ~Rs. 61.0 crore (as on December 22, 2023), which has to be executed by March 31, 2024. The company is expected to record strong revenue growth of 30-40% in FY2024, albeit on a small base, on the back of healthy demand and increased realisations. VBL's working capital intensity remained high at 46.6% in FY2023, owing to an elongated receivable period due to delays in receivables from domestic clients and higher share of revenues in Q4 FY2023.

High product concentration risk – The company faces high product concentration as its top three products—ASVS, ARS and ATT—have accounted for more than 70% of its revenues over the past four years. VBL sources most of its orders through tenders. However, ICRA notes that the risks of high product concentration and tender-based orders are mitigated to an extent by the repeat orders from its established customer base, limited competition, and its healthy market share in these products.

Revenues, earnings and production exposed to regulatory risks – The manufacturing process of sera products is highly regulated owing to the involvement of animals, which limits scaling up of production.

Exposed to fluctuations in exchange rates – The company derived ~57% of its revenues from exports over the last three years, exposing its margins to exchange rate fluctuations. The share of export revenues moderated to 43% in 8M FY2024 owing to higher domestic demand.

Liquidity position: Strong

The company's liquidity is strong with ~Rs. 9.4 crore buffer in working capital limits along with free cash and cash equivalents of Rs. 80.8 crore, as on December 31, 2023, against minimal repayment obligations. VBL is expected to incur capex of ~Rs. 20-25.0 crore in FY2024 towards enhancing its installed capacity, which would be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA may upgrade the rating if the company is able to improve its scale of operations significantly with diversification in revenue profile, while maintaining its healthy margins, strong financial profile and liquidity position as well as improving its working capital intensity.

Negative factors – Pressure on the rating could arise if a sizable decline in revenues adversely impacts its profitability or if stretched receivables cycle impacts its liquidity position. A significant capex, not backed by a successful ramp-up of the expanded facility, affecting its financial profile, could also impact the rating. Specific credit metrics that could lead to a rating downgrade include total debt/OPBIDTA of more than 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating methodology - Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of VBL.

About the company

Vins Bioproducts Limited, incorporated in 1997, is promoted by Mr. SN Daga, who has vast experience in the pharmaceuticals industry. The company's manufacturing facility at Thimmapur, Telangana, is the largest manufacturer of sera products in India with an installed production capacity of 2.3 million vials per annum. VBL has 2,200 equines and its major products include anti-snake venom serum, anti-rabies serum, anti-diptheria serum, scorpion bite medicines, and tetanus medicines, etc.

Key financial indicators (audited)

	FY2022	FY2023
Operating income	89.0	99.9
PAT	18.5	21.8
OPBDIT/OI	28.0%	28.1%
PAT/OI	20.8%	21.8%
Total outside liabilities/Tangible net worth (times)	0.1	0.1
Total debt/OPBDIT (times)	0.1	0.1
Interest coverage (times)	80.8	117.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; All calculations are as per ICRA Research

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 Mar 31, 2023 (Rs. Crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 16, 2024	Dec 30, 2022	Sep 06, 2021	Jul 01, 2020
1	CC/PCFC	Long term	10.00	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)
2	Non-Fund Based	Long term	7.50	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)
3	Unallocated	Long term	-	-	-	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)	[ICRA]BBB+ (Positive)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based	Simple
Long-term – Non-Fund-based	Very 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	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit**	NA	NA	NA	10.00	[ICRA]A-(Stable)
NA	**Bank guarantee**	NA	NA	NA	7.50	[ICRA]A-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not applicable

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About ICRA Limited:

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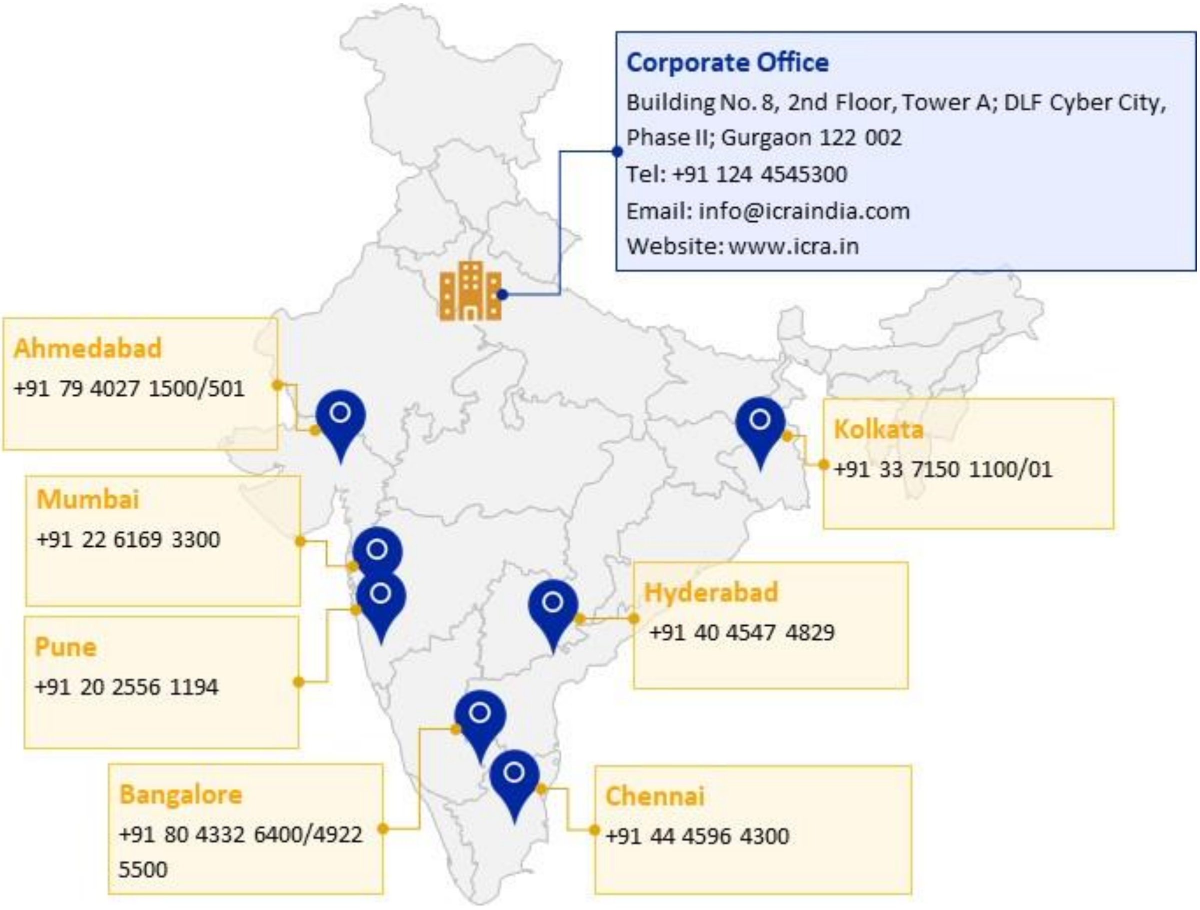

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