August 02, 2017

Bharat Immunologicals and Biologicals Corporation Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Long-term Fund based	60.00	[ICRA]BB+ (Negative) ISSUER NOT COOPERATING^ Outlook revised from Stable to Negative and moved to the 'Issuer Not Cooperating' category
Short-term Non-fund based	65.00	[ICRA]A4+ ISSUER NOT COOPERATING^ Rating moved to the 'Issuer Not Cooperating' category
Total	**125.00**	

^ *Issuer did not cooperate; based on best available information*
**Instrument details are provided in Annexure-1*

Rating action

ICRA has placed the long-term rating of [ICRA]BB+ (pronounced as ICRA double B plus) on the fund-based facilities of Bharat Immunologicals and Biologicals Corporation Limited (BIBCOL or the company)[1] with a Negative outlook. ICRA has also placed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) on the non-fund based facilities of the company. ICRA has moved the ratings to the 'Issuer Not Cooperating' category. The rating is now denoted as: "[ICRA] BB+ (Negative)/ [ICRA]A4+ ISSUER NOT COOPERATING"

Rationale

The change in outlook reflects ICRA's expectations of weakness in company's financial performance over the near term on account of a substantial drop in the budgeted oral polio vaccine (OPV) doses to be supplied to the Government of India (GOI) under the immunisation programmes in FY2018. This is also reflected by a significant decline in the company's revenues in Q1 FY2018 from the previous year. This is likely to weaken the company's financial performance on account of its limited opportunities to diversify the revenue stream and unabsorbed fixed overhead costs. Over the past few years, the quantum of OPV vaccine supplies from BIBCOL to GOI's immunisation initiatives have reduced on account of discontinuation of trivalent OPV, increased competition from private-sector entities and the gradual increase in the share of inactivated polio vaccine (IPV). With OPV vaccine contributing to almost 100% of the company's turnover and limited scope for it to diversify its product offerings in the near term, the impact of lower vaccine sales could weaken its cash flows.

However, the ratings are supported by the GoI's majority stake in the company. The ratings also reflect BIBCOL's position as one of the leading suppliers of OPV to the Government's immunisation programmes, and low leverage supported by negligible long-term borrowings.

The rating is based on limited cooperation from the entity since the time it was last rated in May 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating may not adequately reflect the credit risk profile of the entity, despite the change in outlook.

[1] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

As part of its process and in accordance with its rating agreement with BIBCOL, ICRA has been seeking information from the entity so as to monitor its performance and has also been sending repeated reminders to the entity for payment of surveillance fee that became due. Despite multiple requests by ICRA, the management has remained non-cooperative. In the absence of requisite cooperation and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

Majority owned by the GOI – The Indian Government (59.25% stake) established the company in 1989 for the supply of high quality and affordable polio vaccines in the nation.

Established position within the overall OPV vaccine market in India - BIBCOL is one of the leading suppliers of OPV to the Government's immunisation programmes.

Low leverage – The company's credit profile is characterised by negligible long-term borrowings.

Credit weaknesses

Significant product concentration - Over the past few years, the quantum of OPV vaccine supplies from BIBCOL to the GOI's immunisation initiatives has decreased on account of the discontinuation of trivalent OPV, increased competition from private-sector entities and gradual increase in the share of IPV. With OPV vaccine contributing almost 100% to the company's turnover and limited scope for BIBCOL to diversify its product offerings in the near term, the impact of lower vaccine sales could weaken its cash flows.

Lack of technology limits scope for diversification – The company lacks the technology to manufacture the recently initiated IPV. Also, the limited scope for diversification could lead to lower vaccine sales which will weaken company's cash flows.

Liquidity pressure from seasonality in business – Most of BIBCOL's revenues are achieved in the second half of the financial year (the Pulse Polio Programme is undertaken by GoI between December and February), leading to tight liquidity to manage fixed costs in the first half of the year.

Foreign exchange rate fluctuation risk – Given that almost the entire raw material for OPV vaccine is met through imports from a single vendor, the company is exposed to significant foreign exchange risk.

Deterioration in profitability indicators - BIBCOL's revenues declined by 88% to Rs. 3.3 crore in Q1 FY2018 on account of the significantly lower budgeted polio vaccine doses. As a result, the company reported losses at the operating level.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria

[Corporate Credit Rating Methodology]

[Rating Methodology for Pharmaceutical Industry]

About the company

BIBCOL is a central public sector unit, under the Department of Biotechnology (DBT), Ministry of Science & Technology. The company was established in 1989 to achieve self sufficiency in the production and supply of high-quality polio vaccines in India. The company manufactures and produces pharmaceutical products such as oral polio vaccines (OPV vaccine), zinc tablets and diarrhoea management kits with over 99% revenues being generated from the OPV vaccine. BIBCOL derives orders for OPV through tenders floated by the Central Government for the national immunisation and pulse polio programme and faces competition from private players like Panacea Biotec, Bio-Med Private Limited, Haffkine Bio-Pharmceutical Corporation Ltd. and Bharat Biotech among others. BIBCOL is a listed company on the Bombay Stock Exchange, with the Government of India holding 59.25% stake.

Key Financial Indicators

	FY2016	FY2017 (Prov.)
Operating Income (Rs. crore)	128.0	124.2
PAT (Rs. crore)	-6.1	6.7
OPBDIT/ OI (%)	-3.1%	9.0%
RoCE (%)		
Total Debt/ TNW (times)	0.27	0.05
Total Debt/ OPBDIT (times)	2.4	0.2
Interest coverage (times)	0.7	4.1
NWC/ OI (%)	10.5%	-6.9%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years

Table

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years	
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY 2016
					August 2017	May 2016	March 2015
1	Cash Credit	Long Term	60.00	**NA**	[ICRA]BB+ (Negative) ISSUER NOT COOPERATING	[ICRA]BB+ (Stable)	[ICRA]BBB- (Stable)
2	Foreign Letter of Credit	Short Term	65.00	**NA**	[ICRA]A4+ ISSUER NOT COOPERATING	[ICRA]A4+	[ICRA]A3

^ *Issuer did not cooperate; based on best available information*

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Cash Credit 1	-	-	-	40.00	[ICRA]BB+ (Negative) ISSUER NOT COOPERATING
Cash Credit 1	-	-	-	20.00	[ICRA]BB+ (Negative) ISSUER NOT COOPERATING
Foreign Letter of Credit	-	-	-	65.00	[ICRA]A4+ ISSUER NOT COOPERATING

^ *Issuer did not cooperate; based on best available information*

Source: the company

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

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