October 23, 2019

Bharat Immunologicals & Biologicals Corporation Limited: Ratings revised to [ICRA]B+ (Stable)/ [ICRA]A4; removed from issuer not cooperating category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Cash Credit Facilities	60.00	40.00	[ICRA]B+(Stable); Rating downgraded from [ICRA]BB- (Negative) and removed from 'ISSUER NOT COOPERATING' category; outlook revised to 'Stable' from 'Negative'
Non Fund Based Facilities	65.00	50.00	[ICRA]A4; Rating reaffirmed and removed from 'ISSUER NOT COOPERATING' category;
Unallocated	Nil	35.00	[ICRA]B+(Stable)/ [ICRA]A4; Long term rating downgraded; short term rating reaffirmed and removed from 'ISSUER NOT COOPERATING' category; outlook revised to 'Stable' from 'Negative'
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure-1*

Rationale

The rating revision follows the decline in oral polio vaccine (OPV) volumes on account of the worldwide cessation plans of OPV by FY2023 and slow ramp-up across other product segments by Bharat Immunologicals & Biologicals Corporation Limited (BIBCOL), given that OPV contributed to ~99.9% of the FY2019 revenues. ICRA takes note of the increasing competition resulting in pricing pressure and the company's inability to turnaround at OPBITDA level. This is further exacerbated by the abolishment of price preference to public sector undertakings (PSUs). Moreover, import of the bulk vaccine exposes BIBCOL to fluctuations in forex rates. The same translated to erosion of net worth to Rs. 31.2 crore as on March 31, 2019 and consequently deterioration in coverage metrics with negative interest cover and DSCR. ICRA also notes the auditor expressing concerns on the quality of vaccines and the associated risk of write-offs amounting to Rs. 6.62 crore on having failed the sterility test conducted by Central Drug Laboratory. ICRA also takes note of Rs. 6.45 crore of claims under arbitration, the proceeds of which remain crucial to support the interim working capital requirements for BIBCOL.

The ratings, however, continue to take comfort from the ~59.25% stake held by the Government of India (GoI). ICRA also takes note of the comfortable cash balances of Rs. 17.4 crore and unencumbered surplus of Rs. 9.1 crore as on March 31, 2019.

The Stable outlook on the ratings reflects ICRA's opinion that BIBCOL will continue to support the GoI's OPV demand under the National Immunisation Programme and healthy market share of BIBCOL in the OPV segment.

Key rating drivers and their description

Credit strengths

GoI enterprise – BIBCOL is a 100% GoI-owned enterprise with an experienced management. Also, it has a track record of more than 23 years of operations in the business of manufacturing OPV for the GoI under the National Immunisation Programme.

Comfortable cash position – The liquidity position of the company is supported by cash balances of Rs. 17.4 crore (unencumbered surplus of Rs. 9.1 crore) as on March 31, 2019.

Credit challenges

High revenue concentration in OPV segment operating at EBITDA losses – The OPV segment accounted for ~99.9% of revenues in FY2019. Also, increasing competition resulted in pricing pressure and inability to turnaround at OPBITDA level, further accelerated by abolishment of price preference to PSUs. Moreover, import of the bulk vaccine exposes the company to fluctuations in forex rates.

Weak debt-protection metrics – Operating losses by BIBCOL over the past few years has translated to erosion of net worth to Rs. 31.2 crore as on March 31, 2019 and consequently in deterioration of coverage metrics with negative interest cover 4.96 times and DSCR of 2.5 times in FY2019.

Qualifications expressing concerns on quality – BIBCOL's auditors have expressed concerns of the quality of the OPV vaccines and the associated risk of write-offs amounting to Rs. 6.62 crore, which failed sterility test conducted by Central Drug Laboratory.

Risk of receivable write-offs – Claims of Rs. 6.45 crore (currently classified under the >180-day category) are under arbitration, the proceeds of which remain crucial to support the interim working capital requirements for BIBCOL.

Liquidity position: Stretched

BIBCOL's liquidity is **stretched** on account of operating level losses of Rs. 9.3 crore and cash losses of Rs. 7.1 crore in FY2019. However, in the absence of any long-term debt repayments, the liquidity profile is supported by healthy cash balances of Rs. 17.4 crore (unencumbered surplus of Rs. 9.1 crore) as on March 31, 2019.

Rating sensitivities

Positive triggers – The ability of BIBCOL to scale up its operations in the OPV segment by way of increasing share in the tendering business resulting in higher share of revenues from the GoI, and diversify its revenues across new product segments and demonstrate turnaround of operations at EBITDA level could be scenarios for rating upgrade.

Negative triggers – Continued delays in ramping up its new production lines amid weakening business environment, resulting in any further deterioration of coverage indicators could lead to rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Pharmaceutical Companies
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

Bharat Immunologicals & Biologicals Corporation Limited (BIBCOL) is a Central public-sector unit, under the Department of Biotechnology (DBT), Ministry of Science and Technology. The company was established in 1989 for supply of high quality polio vaccines under the National Immunisation Programme of the GoI. It started commercial production from 1996. The facility was upgraded in 2006 to meet the WHO-GMP and revised schedule-M of Drugs and Cosmetics Act. In 2016, BIBCOL switched over to bivalent oral polio vaccine (bOPV) from trivalent oral polio vaccine (tOPV) and secured WHO-GMP certification for bOPV. In addition to bOPV in the vaccine segment, BIBCOL has been manufacturing and marketing dispersible Zinc tablets and diarrhoea treatment kits in the pharmaceutical segment. It has now entered into ready-to-use therapeutic food (RUTF) and low-calorie sweetener tablets in the food segment. BIBCOL is listed on the Bombay Stock Exchange and the GoI owns a 59.25% stake in it.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	34.8	83.6
PAT (Rs. crore)	(4.3)	(5.8)
OPBDIT/OI (%)	-23.6%	-11.1%
RoCE (%)	-18.3%	-10.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.21	2.69
Total Debt/OPBDIT (times)	0.0	-3.5
Interest Coverage (times)	-11.30	-4.65
DSCR	-9.4	-2.5

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					23-Oct-2019	26-Jul-2018	2-Aug-2017	12-May-2016
1	Cash Credit	Long Term	40.00	40.00	[ICRA]B+ (Stable); rating downgraded and removed from ISSUER NOT COOPERATING category; outlook revised to 'Stable'	[ICRA]BB- (Negative); ISSUER NOT COOPERATING	[ICRA]BB+ (Negative); ISSUER NOT COOPERATING	[ICRA]BB+ (Stable)
2	Letter of Credit & Bank Guarantee	Short Term	50.00	50.00	[ICRA]A4; rating reaffirmed and removed from ISSUER NOT COOPERATING category	[ICRA]A4; ISSUER NOT COOPERATING	[ICRA]A4+; ISSUER NOT COOPERATING	[ICRA]A4+
3	Unallocated	Long/ Short Term	35.00	35.00	[ICRA]B+ (Stable)/ [ICRA]A4; Long term rating downgraded; short term rating reaffirmed and removed from ISSUER NOT COOPERATING category; outlook revised to 'Stable'	-	-	-

Source: BIBCOL; Amount in Rs. crore

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

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	2018	12.40%	-	40.00	[ICRA]B+(Stable)
NA	Letter of Credit & Bank Guarantee	2018	-	-	50.00	[ICRA]A4
NA	Unallocated	NA	-	-	35.00	[ICRA]B+ (Stable)/ [ICRA]A4

Source: BIBCOL

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

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