August 02, 2024

Bharat Serums and Vaccines Limited - Placed on Rating Watch with Positive Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based facilities	217.00	217.00	[ICRA]A+; Placed on Rating Watch with Positive Implications
Short-term – Non-fund Based	18.00	18.00	[ICRA]A1; Placed on Rating Watch with Positive Implications
Long-term/ Short-term – Unallocated	5.00	5.00	[ICRA]A+/[ICRA]A1; Placed on Rating Watch with Positive Implications
Total	**240.00**	**240.00**	

Rationale

Material Event

On July 25, 2024, Mankind Pharma Limited (MPL) informed the stock exchanges that it had entered into a definitive agreement to acquire a 100% stake in Bharat Serums and Vaccines Limited (BSVL) from Advent International (Advent) for an enterprise value of around Rs. 13,630 crore, subject to closing of related adjustments and necessary approvals.

Impact of Material Event

ICRA has taken note of the development and placed the ratings of [ICRA]A+/[ICRA]A1 outstanding on the bank facilities of BSVL on Watch with Positive Implications, given the likely positive impact on the credit profile of BSVL with the change in ownership. MPL, rated at [ICRA]AA+(Stable), is an established player in the domestic formulations market and has established brands across therapies along with a healthy portfolio of consumer healthcare brands. In terms of synergy, BSVL is expected to leverage on the reach and coverage of MPL, and in terms of cost efficiency, it is likely to benefit from manufacturing as well as sharing of common resources. As the transaction is yet to be completed, the exact impact on the credit profile of BSVL would only be ascertained after the exact synergies and strategies related to the acquisition by MPL are clear. ICRA will resolve the rating watch once full clarity emerges on the transaction and the actual impact on the credit profile of BSVL is ascertained.

Please refer to 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 methodologies for Pharmaceuticals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has combined the business and financial risk profiles of Bharat Serums and Vaccines Limited and its wholly-owned subsidiaries, details of which are enlisted in Annexure-II.

About the company

Bharat Serums and Vaccines Limited, incorporated in 1971, is engaged in development, manufacturing and marketing of biological, biotech and pharmaceutical formulations. Its product profile comprises plasma derivatives, monoclonal, fertility hormones, antitoxins, antifungals, anaesthetics, cardiovascular drugs, diagnostic products, etc., with its key therapeutic segments being Women Health (WH), assisted reproductive technology (ART) and Critical Care (CC). The company is headquartered in Mumbai with its key manufacturing facility at Ambernath (Maharashtra) and another smaller facility in Thane. It also has a horse farm in Hyderabad, an R&D unit at Navi Mumbai and four wholly-owned subsidiaries in the US, Germany, The Philippines and India. While The Philippines subsidiary acts as a marketing arm, the German facility has API manufacturing capabilities (EUGMP and USFDA approved). The US-based subsidiary is mainly focused on R&D and clinical trials. The Indian subsidiary does not have significant operations. The Indian entity was incorporated recently to house the human pharma division acquired from TTK. The Group was promoted by the Daftary family members, who had run the business for more than three decades. In February 2020, Advent acquired a 74% stake in the company, facilitating complete exit for the erstwhile private equity investors, Orbimed Asia and Kotak PE, and partial exit for the Daftary family members. Subsequently, Advent bought the remaining 26% stake from the Daftary family, following approval from the Department of Pharmaceuticals (DoP).

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	1,245.3	1,435.4
PAT	3.3	47.7
OPBDIT/OI	20.8%	17.9%
PAT/OI	0.3%	3.3%
Total outside liabilities/Tangible net worth (times)	1.0	1.1
Total debt/OPBDIT (times)	2.7	4.6
Interest coverage (times)	4.5	2.1

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; amount in Rs. crores; All ratios as per ICRA's calculations; * Adjusted for goodwill. All the figures mentioned in the above table are as per ICRA's computation; ICRA has factored in the debt component and the interest expense on the CCDs for the analytical purpose*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Aug 02, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-Based-Facilities	Long Term	217.00	[ICRA]A+ Rating Watch with Positive Implications	11-Sep-23	[ICRA]A+ (Stable)	21-Jul-22	[ICRA]A+ (Stable)	28-Feb-22	[ICRA]A+ (Stable); Withdrawn
Unallocated	Long/ Short Term	5.00	[ICRA]A+ Rating Watch with Positive	11-Sep-23	[ICRA]A+ (Stable)/ [ICRA]A1	21-Jul-22	[ICRA]A+ (Stable)/ [ICRA]A1	28-Feb-22	-

			Implications/[ICRA]A1 Rating Watch with Positive Implications						
Non-fund based-Letter of Credit	Short term	18.00	[ICRA]A1 Rating Watch with Positive Implications	11-Sep-23	[ICRA]A1	21-Jul-22	[ICRA]A1	28-Feb-22	[ICRA]A1; Withdrawn

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-Based Facilities	Simple
Letter of Credit	Very Simple
Unallocated	Not Applicable

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 analyzing 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, is available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Fund-Based-Facilities	-	-	-	217.00	[ICRA]A+ Rating Watch with Positive Implications
NA	Letter of Credit	-	-	-	18.00	[ICRA]A1 Rating Watch with Positive Implications
NA	Unallocated	-	-	-	5.00	[ICRA]A+ Rating Watch with Positive Implications/[ICRA]A1 Rating Watch with Positive Implications

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
BSV Bio Science GmbH	100%	Full Consolidation
BSV Bio Science INC	100%	Full Consolidation
BSV Bioscience Philippines	100%	Full Consolidation
BSV Pharma Private Limited	100%	Full Consolidation
Firstline Pharmaceuticals Sdn Bhd	100%	Full Consolidation
Genomicks Sdn Bhd	100%	Full Consolidation

Source: Company

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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.

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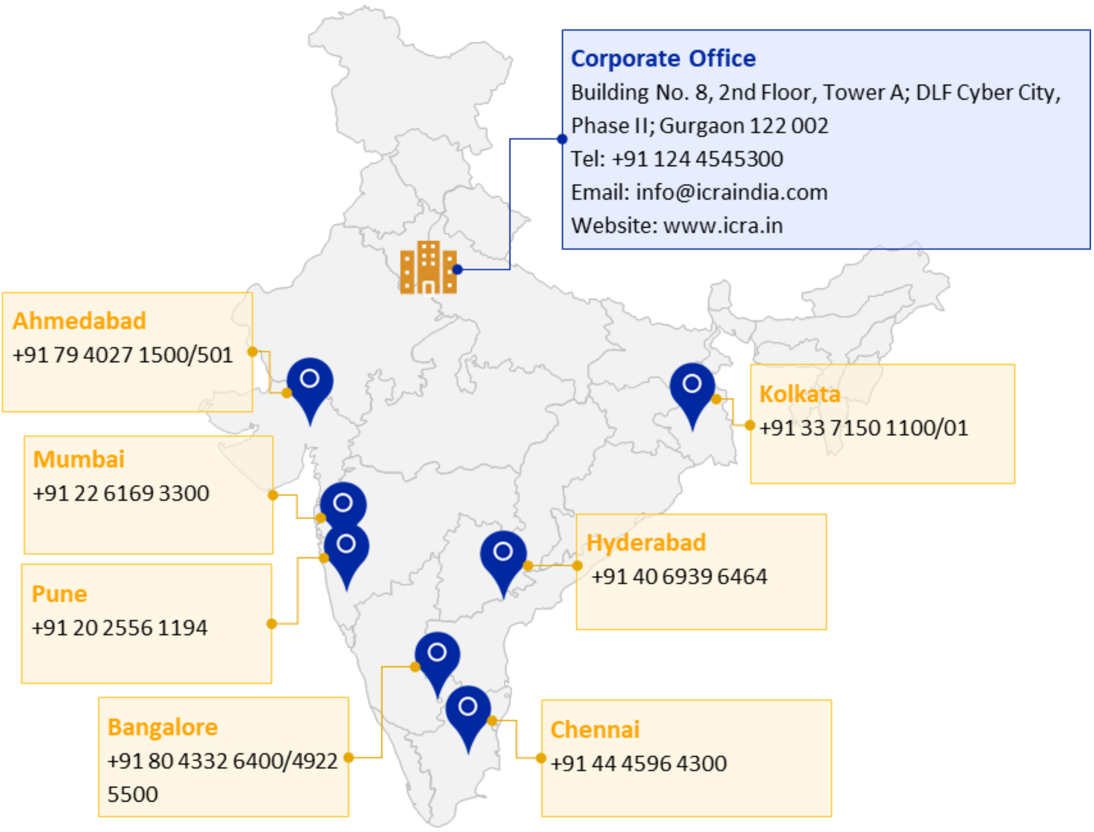

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