

January 31, 2022

## Bharat Biotech International Limited: Long-term rating upgraded to [ICRA]AA; Short-term rating reaffirmed at [ICRA]A1+; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based working capital facilities	105.00	-	-
Non-fund based working capital facilities	181.00	466.00	[ICRA]A1+; reaffirmed
Long Term/Short term – Fund based/Non-fund based facilities	25.00	205.00	[ICRA]AA (Stable); upgraded from [ICRA]AA- (Stable) [ICRA]A1+; reaffirmed
<b>Total</b>	<b>311.00</b>	<b>671.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating upgrade factors in the improvement in credit profile of Bharat Biotech International Limited (BBIL/the company) on the back of healthy demand for COVAXIN, in turn supporting significant revenue growth and healthy operating profit margins (OPM). On the back of the Covid-19 vaccination programme in India, BBIL witnessed substantial improvement in scale of operations and liquidity position. 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). The company received emergency use authorisation (EUA) for COVAXIN from the Drugs Controller General of India (DCGI) in January 2021, which led to significant increase in vaccination supplies in the domestic market. As of January 19, 2022, out of the 1.5 billion Covid-19 vaccines administered in India, ~12% were COVAXIN. Further, with the commencement of children's vaccination, the share of COVAXIN is expected to improve in the near term. BBIL had sizeable cash reserves of over Rs 2,000 crore as on September 30, 2021, indicating a strong liquidity position. The company's debt metrics remain strong with robust capital structure and coverage metrics (TD/OPBITDA of 0.3 time and interest coverage of 90.2 times as on September 30, 2021 against 1.1 times and 37.1 times, respectively, as on March 31, 2021 on a standalone basis).

The rating continues to consider the extensive experience of the promoters along with the established presence of BBIL 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 the export supplies, going forward. BBIL also has a strong order book position for FY2022 and FY2023, supporting its business profile. The company is also developing vaccines for Malaria, Chikungunya and Zika virus with considerable investment in R&D and capex, which will be funded through internal accruals and existing cash reserves. This could also provide avenues for revenue diversification.

BBIL's product concentration is high with most of its revenues driven by COVAXIN in H1 FY2022, while its top three vaccines drove ~80% revenues in FY2020. The company is highly dependent on the institutional segment, which accounted for ~53% of its revenues in FY2021, and further increased to ~70% in H1 FY2022 due to the Covid-19 vaccination programme.

The rating also factors in the increasing competition and notes that new entrants in the key revenue generating vaccine segments like RV and TCV (apart from COVAXIN) could exert pressure on the company's margins. Nevertheless, BBIL's strong market position for RV and TCV are 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 rating reflects ICRA's opinion that BBIL will continue benefiting from its established market position, the significant experience of its promoters, strong track record of product development and robust financial profile.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters and established presence in domestic vaccine market** – With large production capacity and a wide product profile, including vaccines for polio, rotavirus, rabies, typhoid, hepatitis, Japanese encephalitis (JE) and the pentavalent vaccine, etc. BBIL has a demonstrated track record of more than two decades in manufacturing vaccines. Further, COVAXIN supplies in the domestic market has substantially improved the BBIL's revenues in H1 FY2022, which is expected to continue in the near term as well. 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. BBIL invested ~Rs 375.0 crore<sup>1</sup> for developing COVAXIN and expanding/modifying its manufacturing facilities over the past two years. The facilities can also be used for the manufacture of other vaccine products. BBIL is in process of developing vaccines for Malaria, Chikungunya and Zika virus. Further, it has 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 robust revenue growth, healthy margins in addition to strong liquidity and robust debt metrics** – The company witnessed strong revenue growth of 38.8% in FY2021 primarily on the back of ramp-up in TCV supplies and commencement of JE vaccine supplies to the Government coupled with COVAXIN supplies post DCGI approval in January 2021. In H1 FY2022, BBIL recorded substantial improvement in revenues to Rs 3,076.5 crore (Rs 1,386.3 crore in FY2021 at standalone level) backed by ramp-up in COVAXIN supplies in the domestic market. The OPM levels remained stable at 42.7% in FY2021 (42.1% in FY2020); however, declining slightly to 37.1% in H1 FY2022 due to comparatively lower level of realisation of COVAXIN, while continuing to remain healthy. The company has a strong financial profile with a robust capital structure and coverage metrics (TD/OPBITDA of 0.3 time and interest coverage of 90.2 times as on September 30, 2021, against 1.1 times and 37.1 times, respectively as on March 31, 2021 on a standalone basis). In addition, BBIL had sizeable cash reserves of over Rs 2,000 crore as on September 30, 2021.

**Strong order book position** – BBIL enjoys a strong order book position on the back of the ongoing children's vaccination and adult booster dose programmes across the country. Going forward, with the vaccination for children of 12-14 years, improving supplies for non-Covid vaccines, new product launches and its established market position, BBIL's business prospects are expected to improve.

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<sup>1</sup> Excludes investment by other collaborated partners

## Credit challenges

**High revenue concentration** – The company’s top three vaccines drove ~80% of its revenues in FY2020 while COVAXIN drove most of its revenues in H1 FY2022. While OPV was the key revenue contributor over the past few years, the company’s dependence on OPV decreased with steady ramp-up in the volumes of TCV, RV and COVAXIN. Although the company faces competition in the RV and OPV segments, BBIL has a strong market position in export markets for TCV. While the revenue contribution from COVAXIN is expected to decline in the medium term, development of new vaccines and revival in sales of other vaccines are likely to drive revenue diversification, going forward.

**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 and TCV (apart from COVAXIN) could exert pressure on its margins. Nevertheless, BBIL’s strong market position for RV and TCV are expected to support its business prospects.

**Large dependence on Government institutions** – GoI institutions remain the largest customer segment for BBIL, accounting for 53% of its sales in FY2021, further increasing to ~70% in H1 FY2022 due to COVAXIN supplies. This exposes BBIL’s revenue growth and earnings to fluctuations in order quantity and delayed offtake by GoI institutions. While the exposure to GoI is expected to reduce with supplies to export markets (with ramp-up in RV and TCV vaccines), payment delay, if any, from Government institutions would lead to an elongated working capital cycle and become a challenge. However, the working capital cycle has improved in the FY2021 and H1 FY2022 with increased COVAXIN supplies, backed by confirmed orders.

## Liquidity position: Strong

BBIL’s liquidity is strong characterised by cash and liquid investments of over Rs 2,000 crore and undrawn working capital buffer of Rs. 130.0 crore as on September 30, 2021 (standalone basis). Average fund-based working capital utilisation remained low at 7.1% for the 12-month period ending September 30, 2021. BBIL has lease payment obligations of Rs. 60.0 crore per annum. The company has capex plans of ~Rs. 200.0 crore over FY2022–FY2023 for expansion of COVAXIN facilities and maintenance capex. ICRA expects BBIL’s liquidity position to remain strong over the medium term on the back of its healthy accruals and the existing cash and liquid investment reserves.

## Rating sensitivities

**Positive factors** – The rating can be upgraded on a sustained increase in scale of operations with diversification across products while maintaining 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.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Pharmaceutical Industry</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the company.

## About the company

Incorporated in 1996, BBIL is promoted by Dr. Krishna Ella and has a manufacturing facility in Hyderabad. As on March 31, 2021, the promoter family held ~82% equity stake in the company, directly or indirectly. Other investors, including private equity investors, hold the balance equity stake in the company.

BBIL's key products in the vaccine segment are OPV, TCV, RV, rabies vaccine, JE vaccine and pentavalent vaccine. While OPV was 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. Further, the company also developed COVAXIN in FY2021, which has supported the substantial improvement in its revenues in H1 FY2022. BBIL is also developing vaccines for Malaria, Chikungunya and Zika virus; however, it is yet to commercialise them.

## Key financial indicators (audited)

BBIL Consolidated	FY2020	FY2021	H1 FY2022*
Operating Income (Rs. crore)	1,081.4	1,501.2	3,076.5
PAT (Rs. crore)	298.0	421.7	828.8
OPBDITA/OI (%)	42.1%	42.7%	37.1%
PAT/OI (%)	27.6%	28.1%	26.9%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	1.1	1.5
Total Debt/OPBDITA (times)	0.5	1.0	0.3
Interest Coverage (times)	55.3	33.4	90.2

**Source:** Company, ICRA research; **Note:** Amount in Rs. crore; All calculations are as per ICRA research; \* Standalone basis  
**PAT:** Profit after Tax; **OPBDITA:** Operating Profit before Depreciation, Interest, Taxes and Amortisation

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2021 (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				January 31, 2022	Oct 16, 2020	Aug 19, 2019	Sep 07, 2018	Aug 20, 2018
1 Fund based working capital facilities	Long-term	-	-	-	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Positive)	[ICRA]A+(Positive)
2 Fund based working capital facilities	Short-term	-	-	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3 Non-fund based working capital facilities	Short-term	466.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 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]A+(Positive)/[ICRA]A1+	[ICRA]A+(Positive)/[ICRA]A1+	[ICRA]A+(Positive)/[ICRA]A1+

5	Term loans	Long term	-	-	-	-	-	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)
6	Unallocated limits	Long term/Short term	-	-	-	-	-	[ICRA]A+ (Positive)/ [ICRA]A1+	[ICRA]A+ (Positive)/ [ICRA]A1+

### 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	NA

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: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	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; \*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-2: List of entities considered for consolidated analysis

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

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