July 29, 2022

Bioplus Life Sciences Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Fund-based	20.00	20.00	[ICRA]A3+; reaffirmed
Short-term Non-fund-based	0.60	0.60	[ICRA]A3+; reaffirmed
Total	**20.60**	**20.60**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation for Bioplus Life Sciences Private Limited's (Bioplus) rating continues to factor in the company's established operational track record and extensive experience of its promoters in the pharmaceutical industry as well as its established presence in the nutraceuticals/dietary supplements market. Moreover, the revenues are diversified across geographies and Bioplus enjoys established relationships with its key customers. ICRA notes that its Bengaluru facility had received some observations during the Medicines and Healthcare products Regulatory Agency (MHRA) inspection held in December 2019, following which export of certain products to Europe have declined. However, the company has maintained its revenue growth momentum in recent years supported by increased focus on other emerging markets, especially West Asia. Moreover, as per the management, the observations raised earlier have been resolved and re-inspection of the facility by MHRA is currently awaited. Additionally, the rating factors in the company's comfortable capital structure, adequate debt protection metrics and liquidity profile.

The rating, however, remains constrained by the company's moderate scale of operations resulting in limited economies of scale. Coupled with limited pricing flexibility owing to high competitive intensity of the industry and vulnerability to volatility to raw material prices and foreign exchange rates, this had continued to result in volatility in Bioplus's profit margins. The company had extended support to it subsidiary (VB Medicare Private Limited) and subsequent write-offs pertaining to loans and investments had resulted in net losses and net worth erosion for Bioplus. Though there have not been any incremental write-offs since FY2020, any extension of funding support or further write-offs will remain a key rating monitorable.

Key rating drivers and their description

Credit strengths

Established operational track record and extensive experience of the promoters in the pharmaceutical industry – Bioplus has an established track record of over five decades in the pharmaceutical industry. The promoters have an extensive experience in the industry supported by a professional and experienced management team.

Revenue diversification across geographies and established relationships with key clientele – The company has an established track record of sales in Europe, West Asia, Australia, South East Asia and Africa. The geographical concentration of the company has changed over the last few years with the West Asian market driving business in the last two years. This signifies the company's ability to drive growth across geographies and lack of dependence on any single region. Further, Bioplus enjoys established relationships with reputed pharmaceutical companies, which supports its contract manufacturing and branded segment business.

Comfortable capital structure and adequate debt protection metrics – Bioplus continues to maintain a comfortable capital structure and adequate debt protection metrics. Its gearing remained low at 0.1 time as on March 31, 2022 (0.1 time as on March 31, 2021) given the limited reliance on external borrowings. Moreover, the company's capital structure is likely to remain comfortable, in the absence of any planned debt-funded capex.

Credit challenges

Moderate scale of operations results in limited economies of scale – The company's scale of operation remains moderate with operating income of Rs. 89.3 crore in FY2022 (Rs. 81.2 crore in FY2021), resulting in limited economies of scale as well as restricted pricing power and market position to an extent.

High competitive intensity of the industry limits pricing flexibility – The industry is characterised with a highly fragmented market structure and intense price-based competition, especially in the contract manufacturing services (CMS) segment. However, the increasing contribution of the branded formulations business over the last two years has mitigated the competitive pressures to some extent.

Profitability remains vulnerable to volatility in raw material prices and foreign exchange rates – Bioplus's profitability has remined volatile over the years with operating margins ranging between 5% and 10% during FY2018–FY2022. Operating margins declined to 7.5% in FY2022 from 10.2% in FY2021 on account of considerable raw material price volatility. Additionally, the margins remain susceptible to changes in forex rate fluctuations as the company is a 100% export-oriented unit.

Support extended to subsidiary in the past – Bioplus extended financial support to one of its subsidiaries till FY2019; and the write-offs of these investments and loans weakened its financial profile. Nevertheless, as the operations at the subsidiary stabilised in FY2020, there have been no incremental write-offs since FY2020. However, the subsidiary's performance has again deteriorated in FY2022. Any funding support or write-offs of investments to it are likely to impact Bioplus' liquidity position and financial profile.

Liquidity position: Adequate

The company's liquidity position remains adequate supported by steady internal accrual generation and free cash/ liquid investments of Rs. 8.1 crore as on March 31, 2022. Moreover, the liquidity is supported by reasonable buffer in its working capital facilities with average utilisation of 26% between January 2021 and May 2022. The company does not have any debt repayment liabilities, or any debt-funded capex plans in the near term.

Rating sensitivities

Positive factors – ICRA could upgrade Bioplus' rating if the company is able to increase its scale of operations substantially such that its competitive position is enhanced, and its business profile is more diversified, supporting its earnings stability. Improvement in the performance of its key subsidiaries can also be a positive rating factor.

Negative factors – Negative pressure on the company's rating could arise if there is significant decline in the revenues or margins, resulting in reduction of cash accruals. Downward pressure on the rating could also arise if any significant incremental support extended to its subsidiary weakens its capital structure or liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology](#) [Rating Methodology for Entities in the Pharmaceutical Industry](#)
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone financial statements of the company

About the company

Bioplus incorporated in 2004, is a 100% export-oriented unit (EOU) involved in contract manufacturing of healthcare products as well as manufacturing and marketing of healthcare products under its own label. The company sells its branded products across multiple geographies including South East Asia, Africa, Europe, West Asia and CIS countries. Major products marketed by the company include licensed drugs for treating osteoarthritis, along with vitamins, minerals and health supplements for bone health, eye health and women's health.

Key financial indicators

Bioplus – Standalone	FY2021	FY2022 (Prov.)
Operating Income (Rs. crore)	81.2	89.3
PAT (Rs. crore)	4.9	4.2
OPBDIT/OI (%)	10.2%	7.5%
PAT/OI (%)	6.0%	4.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.2
Total Debt/OPBDIT (times)	0.5	0.8
Interest Coverage (times)	33.2	23.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in	FY2022	FY2021	FY2020
					July 29, 2022	April 22, 2021	--	November 20, 2019
1	Fund-based facilities	Short-term	20.00	-	[ICRA]A3+	[ICRA]A3+	--	[ICRA]A3+
2	Non-fund based facilities	Short-term	0.60	-	[ICRA]A3+	[ICRA]A3+	--	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based facilities	Simple
Non-fund based facilities	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: www.icra.in

Annexure I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based facilities	NA	NA	NA	20.00	[ICRA]A3+
NA	Non-fund based facilities	NA	NA	NA	0.60	[ICRA]A3+

Source: *Company*

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

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About ICRA Limited:

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