

October 23, 2024

Protigenix Life Sciences Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term-fund based-term loan	100.0	[ICRA]BB-(Stable); assigned
Long term-fund based-cash credit	10.0	[ICRA]BB-(Stable); assigned
Total	110.0	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Protigenix Life Sciences Private Limited (PLSPL) favourably factors in the extensive experience of its senior management in the biopharmaceutical industry, including manufacturing, procurement, sales and distribution. ICRA also notes that plasma fractionation is a relatively niche industry with favourable demand prospects, which largely mitigates the offtake risks.

The ratings, however, are constrained by SPPL's exposure to project-related risks, such as timely execution and cost overruns, given that it is setting up a greenfield facility for the fractionation of blood plasma. Also, given that this is the promoter's first foray into the pharmaceuticals manufacturing industry and in the absence of any past track record, PLSPL's ability to achieve satisfactory scale-up in operations after commissioning remains to be demonstrated. Further, as the project is being partially funded through debt, repayment obligations and interest costs during the initial years are likely to keep the capitalisation and coverage indicators at moderate levels as PLSPL's operations are expected to scale up gradually. The company is also expected to be vulnerable to industry characteristics like volatility in raw material prices, establishing a strong network for plasma sourcing and regulatory changes.

The Stable outlook reflects ICRA's opinion that the company shall benefit from the extensive experience of its senior management in the industry and the stable demand outlook for its products, which is expected to support the steady scale-up of operations after commissioning.

Key rating drivers and their description

Credit strengths

Experienced senior management – The company has an experienced senior management having experience of over a decade in the biopharmaceutical industry, including manufacturing, procurement, sales and distribution. The company also has an existing network of 500-600 blood banks, which is a critical requirement in the plasma fractionation industry for sourcing of blood plasma.

Presence in a niche industry with stable demand prospects – Plasma fractionation is a niche segment within the pharmaceutical industry with a relatively lower presence of pharmaceutical formulations manufacturers and has favourable demand prospects, which is expected to provide some benefits to the company.

Credit challenges

First foray of the promoters into pharmaceutical industry – The key promoters of PLSPL are medical practitioners and have significant experience in areas like blood transfusion where plasma is used. However, the promoters are foraying into the manufacturing industry with the current venture. The risk is partly mitigated by the extensive experience of the senior management in the pharmaceutical industry, including the plasma derivatives segment. The company's ability to achieve satisfactory scale-up in operations, in the absence of a similar track record, remains to be demonstrated.

Exposure to project-related risks, including execution and satisfactory ramp-up of operations – PLSPL remains exposed to project-related risks such as time and cost overruns, since its manufacturing facility is currently under construction. Further, timely completion of the stability studies and satisfactory scale-up of operations after the commissioning of the project with an adequate plasma sourcing network and customer base also remain key monitorable for improvement of its financial profile.

Credit metrics to remain suppressed during the initial phase on account of debt undertaken for completing the project – The total project cost of ~Rs. 216.17 crore (including contingency costs and working capital margin) is proposed to be funded by a term loan of ~Rs. 100.0 crore from the Union Bank of India, interest-free loan of Rs. 20.0 crore from AMTZ¹ towards a lease and license agreement and the balance through promoter's equity. The repayment obligations and interest costs during the initial years are expected to suppress the capitalisation and coverage indicators, as PLSPL's operations are expected to scale up gradually.

Vulnerability of profitability to fluctuations in raw material prices and regulatory changes – Akin to its peers in the industry, PLSPL would also be exposed to vulnerability of profitability due to fluctuations in raw material prices. Plasma prices have witnessed some volatility in recent years leading to an increase in prices, which has impacted the profitability of the players present in the industry. Moreover, as part of the pharmaceutical sector, PLSPL shall also remain exposed to risks of scrutiny by regulatory agencies along with vulnerability towards changes in the industry's regulatory environment.

Liquidity position: Stretched

PLSPL's liquidity position is stretched as the company does not have cashflow generating operations and is undertaking sizeable debt-funded capex for setting up its manufacturing facility. While the promoters have infused a large part of their fund contribution towards the capex and the term loan has already been sanctioned, in case of any considerable delay in the loan disbursement or any material cost overruns, the promoters will be required to provide incremental funding support for completing the project.

Rating sensitivities

Positive factors – ICRA may upgrade PLSPL's rating if the entity is able to complete the project in a timely manner without any material cost overruns.

Negative factors – Pressure on PLSPL's rating could arise if there is a considerable delay in the completion of the project or any material cost overruns and/or lack of timely and adequate financial support from the promoters.

¹ Andhra Pradesh Medtech Zone

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

PLSPL was incorporated on April 19, 2021 to manufacture biopharmaceuticals/ plasma derivatives like immunoglobulin, albumin, clotting factors FVIII and FIX and fibrin sealant kit. The company has been promoted by four medical practitioners working in the US and its key promoter Mr. Suresh Mannapuram is a blood transfusion specialist. PLSPL established its R&D unit at the biotechnology incubation centre in Genome Valley, Hyderabad on June 01, 2021. It is also developing a plasma fractionation facility in Visakhapatnam, Andhra Pradesh and has acquired 5 acres of land from AMTZ, located near Pragathi Maidan, Visakhapatnam. At present, the manufacturing facility is under development and is expected to be completed by March 2026 and commissioned by April 2027, after the completion of initial stability studies.

Key financial indicators (audited)

PLSPL	FY2023	FY2024 (Prov.)
Operating income	-	-
PAT	-1.0	-0.9
OPBDIT/OI	-	-
PAT/OI	-	-
Total outside liabilities/Tangible net worth (times)	0.0	0.0
Total debt/OPBDIT (times)	-	-
Interest coverage (times)	-136.1	-242.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Note: Company does not have any operations at present as the manufacturing facility is under development

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years		
		Amount Rated (Rs. crore)	October 23, 2024	FY2024	FY2023	FY2022
				-	-	-
Term loan	Long Term	100.0	[ICRA]BB- (Stable)	-	-	-
Cash Credit	Long Term	10.0	[ICRA]BB- (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based term loan	Simple
Long term fund-based cash credit	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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	September 2024	11.0%	June 2036	100.0	[ICRA]BB- (Stable)
NA	Cash Credit	NA	NA	NA	10.0	[ICRA]BB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Deepak Jotwani

+91 124 4545 870

deepak.jotwani@icraindia.com

Gaurav Kushwaha

+91 22 6114 3465

gaurav.kushwaha@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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