May 08, 2025

Bharat Serums and Vaccines Limited: Ratings upgraded to [ICRA]AA/[ICRA]A1+; ratings removed from Watch with Positive Implications; Stable outlook assigned

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]AA; Rating upgraded from [ICRA]A+; Removed from Rating Watch with Positive Implications; Stable outlook assigned
Short-term – Non-fund Based	18.00	18.00	[ICRA]A1+; Rating upgraded from [ICRA]A1; Removed from Rating Watch with Positive Implications
Long-term/ Short-term – Unallocated	5.00	5.00	[ICRA]AA/ [ICRA]A1+; Ratings upgraded from [ICRA]A+/[ICRA]A1; Removed from Rating Watch with Positive Implications; Stable outlook assigned
Total	**240.00**	**240.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings upgrade for Bharat Serums and Vaccines Limited (BSVL) reflects the positive impact on its credit profile, following the favourable change in ownership due to its acquisition by Mankind Pharma Limited (MPL, rated [ICRA]AA+/[ICRA]A1+) in October 2024. ICRA expects MPL to provide need-based funding support to BSVL, besides benefiting from enhanced financial flexibility. BSVL is also expected to leverage MPL's extensive reach and coverage, benefiting from cost efficiencies through shared manufacturing and resources, which should improve the operating profit margins over the medium term. The ratings continue to derive comfort from BSLV's niche product portfolio and dominant presence in women's health and critical care therapeutic segments, which gives it a better competitive position. The ratings consider BSVL's strong net worth, a comfortable capital structure, and a sustained increase in operations, with a 23% compounded annual growth rate (CAGR) from FY2021 to FY2024. Although revenues in FY2025 are expected to marginally decline due to the ongoing integration with MPL, the same are anticipated to improve from FY2026. The ratings also acknowledge BSVL's professional and experienced management, its established market position in the biopharmaceutical sector, and its healthy business profile, marked by its involvement in development, manufacturing, and marketing of niche biopharmaceuticals, as well as its strong R&D capabilities in India.

The ratings are, however, constrained by the company's moderate product concentration and high working capital intensity, owing to the elongated receivable cycle and high inventory holding period, marked by high net working capital intensity of operations of 30% as of December 31, 2024. BSV's coverage indicators, though improved in FY2025 owing to conversion of the debt component of compulsory convertible debentures (CCD) into equity and absence of any further interest payment on CCDs from October 2024, continues to remain moderate with addition of debt in FY2025 for employee share appreciation rights (ESAR) payments to employees as a part of the acquisition process. The coverage indicators are, however, expected to improve from FY2026 with the absence of any major debt-funded capital expenditure (capex) plans in the near-to-medium term and expected pick-up in OPMs. The ratings also remain constrained by BSVL's exposure to the regulatory restrictions in terms of pricing caps in the domestic market, stringent quality norms and product/facility approvals in export destinations. Also, like other biopharmaceutical players, BSVL is exposed to uncertainties in the approval pathway for molecules under development and consequent volatility in launch timelines.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit profile will remain supported by a healthy increase in revenues from FY2026 along with improvement in profitability. This will lead to satisfactory debt coverage indicators (commensurate with the rating category).

Key rating drivers and their description

Credit strengths

Favourable change in ownership – In October 2024, BSVL got acquired by MPL and is now a wholly-owned subsidiary of MPL. As a subsidiary of MPL, BSVL enjoys enhanced financial flexibility, effectively serving as an extension of MPL. ICRA expects MPL to provide need-based funding support to BSVL. This strategic relationship allows BSVL to leverage MPL's extensive reach and coverage, benefiting from cost efficiencies through shared manufacturing and resources. The backing of MPL strengthens BSVL's credit profile and positions it to capitalise on growth opportunities.

Experienced management and established market position – BSVL's promoters and the management are well experienced in the biopharmaceutical space. Mr. Sanjiv Navangul, who continues to lead the company post acquisition by MPL, has a rich background in the pharmaceutical industry, having held several leadership roles. The ratings continue to derive comfort from BSLV's niche product portfolio and dominant presence in women's health and critical care therapeutic segments, which give it a better competitive position. BSVL has a strong presence in the biopharmaceutical market and holds a significant market share in its product segments. Following the acquisition by MPL, the inclusion of several common directors on the board has further strengthened the company's management profile.

Strong R&D capabilities – The R&D centre of the company is recognised by the Department of Scientific and Industrial Research (DSIR), Government of India, and is backed by a strong team of technocrats. It has integrated in-house infrastructure and capabilities in R&D, process development, clinical trial, and manufacturing and marketing. The strong R&D focus has resulted in granting of 15 patents on drug products and processes, with international patents granted in the US, Europe, Australia, South Africa, Eurasia, Japan, and South Korea. Its biological API facility in Germany is approved by the US Food and Drug Administration (USFDA) and the European Union's Good Manufacturing Practices (EUGMP) while the formulation and API manufacturing unit in Ambernath, India, is EUGMP (Halmed) and Indian Good Manufacturing Practices (GMP) approved, in addition to approvals from several semi-regulated markets.

Financial risk profile characterised by strong net worth base – The net worth base of the company (Rs. 3,784.1 crore as on March 31, 2024) is strong and supported by healthy annual cash accruals. The net worth moderated to Rs. 1,506.3 crore in FY2024, albeit remaining comfortable after adjusting the goodwill on the books to the tune of Rs. 2,277.7 crore. There were no material impairments on the goodwill/intangible assets (patents) in FY2024. However, any such write-offs impacting the net worth materially would be a key monitorable. Further, the net worth improved significantly to Rs. 4,327.2 crore as on December 31, 2024 owing to conversion of debt component of the CCDs to the tune of ~Rs. 697 crore on acquisition by MPL.

Credit challenges

Operations exposed to regulatory restrictions – The operations remain exposed to regulatory restrictions in terms of pricing caps in the domestic market, stringent quality norms and product/facility approvals in export destinations. Also, like other bio-pharmaceutical players, BSVL is exposed to uncertainties in the approval pathway for molecules under development and consequent volatility in launch timelines. Moreover, ~40% of the portfolio is under price control, which restricts BSVL from increasing prices, other than that mandated by the Government, limiting its pricing flexibility.

High product/therapeutic segment concentration – In FY2024, the company's top five products accounted for over 40% of its revenues. Additionally, more than 80% of the company's revenues in FY2024 and the first half of FY2025 was derived from the critical care and women's healthcare segments. Despite this concentration, the ratings take comfort from its niche product profile and strong market share in these segments.

High working capital intensity of operations– The working capital intensity of the company is high, as reflected by the net working capital vis-à-vis the operating income of 25–35% in the last three financial years. The same is on account of an elongated receivables cycle and high inventory holdings, though partially offset by high payable days. The inventory requirements are high owing to maintenance of imported raw material inventory coupled with requirement of maintenance of stock in trade inherent to the biopharma segment.

Moderate coverage indicators, however, improved in FY2024 and 9M FY2025 over FY2023 – The company's coverage indicators remains moderate with an interest coverage of 3.0 times in FY2024 and 3.5 times in 9M FY2025 and total debt vis-à-vis the operating profit of 2.6 times as on March 31, 2024 and 2.2 times as on December 31, 2024, though, improved from an interest coverage of 2.1 times and Total debt/ OBITDA of 4.6 times as on March 31, 2023 owing to improved operating profits. Following the acquisition of BSVL by MPL, the debt component of the CCDs was converted into equity, eliminating further interest payments on CCDs. However, the company has taken an additional term loan of Rs. 350 crore to make ESAR payments to employees as a part of the acquisition process. The coverage indicators are however, expected to improve from FY2026 in the absence of any major debt funded capex plans in the near-to-medium term and expected pick-up in OPMs.

Liquidity position: Adequate

The liquidity position is adequate with cash and bank balances of ~Rs. 86.3 crore as on December 31, 2024 and an unutilised working capital limit of ~Rs. 100 crore as of November 30, 2024. Its expected cash flow from operations stands at Rs. 220-270 crore in FY2026 against external long-term repayment obligations of ~Rs. 222 crore in FY2026. Further, absence of any major debt-funded capex supports the liquidity profile.

Rating sensitivities

Positive factors: The ratings may be upgraded if the company demonstrates a significant sustained growth in the scale of operations coupled with product diversification while increasing profitability. Improvement in the working capital cycle, which further strengthens the financial/liquidity position on a sustained basis will be considered favourably. Improved credit profile of the parent entity, MPL, will also be a credit positive.

Negative factors: The ratings may be downgraded in case of a significant decline in revenues or a material deterioration in margins. Higher-than-anticipated capital expenditure/ acquisitions, which impacts its capital structure and/or the liquidity position on a sustained basis will also be negative for the ratings. Weakening of the company's linkages with the parent company or any moderation in the credit profile of the parent entity may impact the ratings. Any significant write-offs of intangible assets, resulting in a deterioration in the credit profile, marked by total outside liabilities vis-à-vis the tangible net worth of above 1.3 times on a sustained basis will also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group Support	Parent Company: Mankind Pharma Limited (MPL) ICRA expect BSVL's parent, MPL, to be willing to extend financial support to BSVL, should there be a need.
Consolidation/Standalone	For arriving at the ratings, ICRA has combined the business and financial risk profiles of Bharat Serums and Vaccines Limited, its wholly-owned subsidiaries—BSV Bio Science GmbH, BSV Bio Science INC, BSV Bioscience Philippines, Firstline Pharmaceutical Sdn Bhd, Genomicks Sdn Bhd and BSV Pharma Private Limited—as the entities are owned and managed by the same promoters and are involved in related business sectors. The subsidiaries are enlisted in Annexure-II.

About the company

BSVL, incorporated in 1971, is involved in developing, 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 healthcare, assisted reproductive technology and critical care. The company is headquartered in Mumbai with its key manufacturing facility at Ambernath, Maharashtra. It also has an R&D unit at Navi Mumbai and five wholly-owned subsidiaries in the Germany, two in Malaysia, 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 Indian subsidiary of BSVL was incorporated to house the human pharma division acquired from TTK. In October 2024, BSVL was acquired by MPL and is now a wholly-owned subsidiary of MPL. Following the acquisition by MPL, inclusion of several common directors on the board has strengthened the company's management profile.

Key financial indicators (audited)

BSVL (Consolidated)	FY2023	FY2024	9M FY2025*
Operating income	1,435.4	1,723.5	1,227.4
PAT	47.7	112.1	78.9
OPBDIT/OI	17.9%	23.4%	22.1%
PAT/OI	3.3%	6.5%	6.4%
Total outside liabilities/Tangible net worth (times)^	1.1	0.9	0.7
Total debt/OPBDIT (times)	4.6	2.6	2.2
Interest coverage (times)	2.1	3.0	3.5

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

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 8, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-Based-Facilities	Long Term	217.00	**[ICRA]AA(Stable)**	02-Aug-24	[ICRA]A+ Rating Watch with Positive Implications	11-Sep-23	[ICRA]A+ (Stable)	21-Jul-22	[ICRA]A+ (Stable)
Unallocated	Long/ Short Term	5.00	**[ICRA]AA(Stable)/ [ICRA]A1+**	02-Aug-24	[ICRA]A+ Rating Watch with Positive Implications/[ICRA]A1 Rating Watch with Positive Implications	11-Sep-23	[ICRA]A+ (Stable)/ [ICRA]A1	21-Jul-22	[ICRA]A+ (Stable)/ [ICRA]A1
Non-fund based- Letter of Credit	Short term	18.00	**[ICRA]A1+**	02-Aug-24	[ICRA]A1 Rating Watch with Positive Implications	11-Sep-23	[ICRA]A1	21-Jul-22	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based facilities	Simple
Short-term – Non-fund Based	Very Simple
Long-term/ Short-term –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 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	Fund-Based- Facilities	-	-	-	217.00	[ICRA]AA (Stable)
NA	Letter of Credit	-	-	-	18.00	[ICRA]A1+
NA	Unallocated	-	-	-	5.00	[ICRA]AA (Stable)/ [ICRA]A1+

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 Inc	100%	Full Consolidation
BSV Pharma Private Limited	100%	Full Consolidation
BSV Bioscience Malaysia Sdn Bhd (formerly known as Firstline Pharmaceuticals Sdn Bhd)	100%	Full Consolidation
Genomicks Sdn Bhd	100%	Full Consolidation

Source: FY2024 annual report

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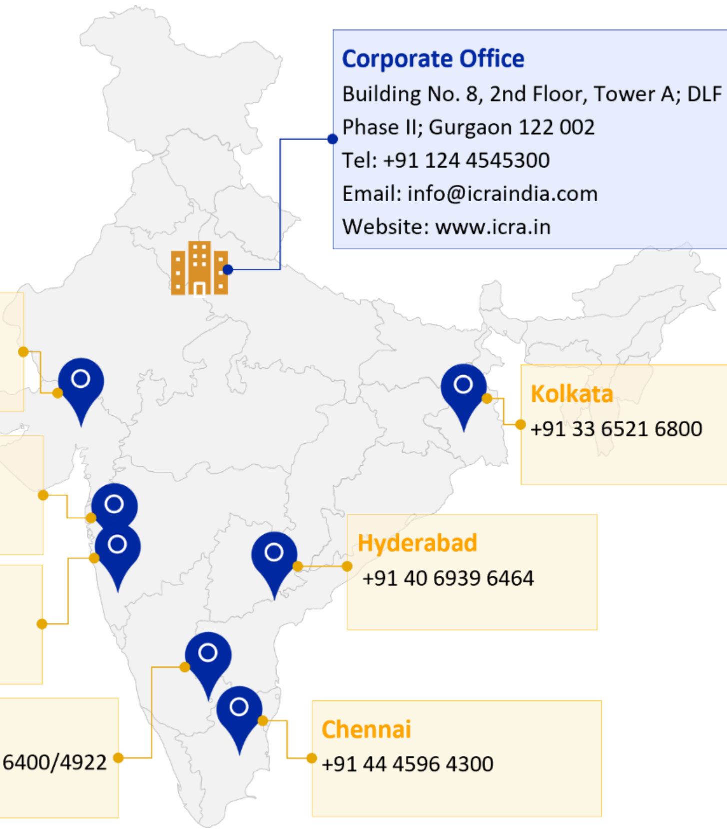

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