

## Unique Biotech Limited

Instrument	Amount In Rs Crore	Rating Action
Long Term Fund Based Limits	12.98 (revised from Rs 9.80 crore)	[ICRA]BBB-(Stable) / upgraded
Short Term Non-Fund Based Limits	2.50	[ICRA]A3 / upgraded
Long/Short Term Unallocated Limits	6.74 (revised from Rs 9.22 crore)	[ICRA]BBB- (Stable) / [ICRA]A3 upgraded

ICRA has upgraded the long-term rating assigned to the Rs. 12.98 crore (revised from Rs. 9.80 crore)<sup>1</sup> fund based limits of Unique Biotech Limited (UBL)<sup>2</sup> to **[ICRA]BBB-** (pronounced ICRA triple B minus) from [ICRA]BB+ (pronounced ICRA double B plus). ICRA has also upgraded the short term rating assigned to the Rs. 2.50 crore non-fund based limits of UBL to **[ICRA]A3** (pronounced ICRA A three) from [ICRA]A4+ (pronounced ICRA A four plus). ICRA has also upgraded the ratings assigned to Rs 6.74 crore (revised from Rs. 9.92 crore) unallocated limits of UBL to [ICRA]BBB-/ [ICRA]A3 from [ICRA]BB+/[ICRA]A4+. The outlook on the long term rating is Stable.

The upgrade in ratings factors in healthy growth in operating income with CAGR of 20% during FY2013-FY2016 backed by health demand for the company's probiotic products in the export market and addition of new products in its portfolio and healthy operating margins with improvement in gearing and coverage indicators during FY2016. ICRA also notes that commencement of production from new formulation block for liquid vials from June 2016, increase in capacity of formulation capsules from December 2016 and product registration in various countries for supply of formulations to support revenue growth in the medium term. The ratings also positively takes into account over 15 years of experience of the management in the pharmaceutical industry; niche probiotics product profile with forward integration in the formulation segment.

However, the ratings are constrained by modest scale of operations of UBL with revenues of Rs. 61.57 crore for FY2016; moderate working capital intensity of the business owing to high debtor levels; and moderate customer concentration with top 5 customers contributing 54% of total sales in FY2016. The company has also made significant capex of ~Rs.20 crore during last 2 years and will incur additional ~Rs. 8 crore capex in FY2017 for purchase of machinery with majority of capex being funded by way of internal accruals. Also, the profitability is exposed to forex risk on account of no defined hedging policy in place with company deriving around 50% of revenues from exports.

Going forward, ability of the company to ramp up operations from its new formulation block, maintaining current profitability levels and effectively manage its working capital requirements would remain the key rating sensitivities from credit perspective.

### Company Profile

Incorporated in December 2000, UBL is primarily involved in the manufacturing and marketing of probiotics as individual cultures, blends and finished formulations. Although the company is focused on human healthcare, it also manufactures some probiotic strains for poultry, pet animals and livestock in bulk as well as finished formulations. The company markets its products to domestic pharmaceutical companies besides exporting to 33 countries like the US, Europe, Japan, Switzerland, Korea etc. The company is promoted by Dr. M. Ratna Sudha and Dr. R.V.S.K Chakravarthy having more than 15 years of experience in the pharmaceutical industry. UBL is WHO-GMP, ISO 9001: 2008 certified company and its R & D is recognized by DSIR<sup>3</sup>, Government of India.

### Recent Results

As per audited financials for FY2015, UBL reported an operating income of Rs. 52.21 crore with profit after tax of Rs. 8.14 crore and Rs. 61.57 crore of operating income with profit after tax of Rs. 12.06 crore in FY2016 (unaudited and provisional). The company has made sales of ~Rs. 16 crore during Q1, FY2017.

**September 2016**

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>2</sup>For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.

<sup>3</sup> DSIR: Department of Scientific and Industrial Research



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