



Bharat Biotech International Limited

Instrument	Amount	Rating Action
	In Rs. crore	
CC	70.00	[ICRA]A- (stable) reaffirmed
SLC	10.00	[ICRA]A2+ revised
LC	75.00 (enhanced from Rs 65.00)	[ICRA]A2+ revised
BG	20.00	[ICRA]A2+ revised
Forward contract	1.0 (reduced from 3.57)	[ICRA]A2+ revised
Interchangeable between Fund based and non Fund Based	25.00	[ICRA]A- (stable)/A2+ revised
Secured TL	68.29 (enhanced from Rs 41.76)	[ICRA]A- (stable) reaffirmed
Unsecured TL	13.28 (reduced from Rs 15.59)	[ICRA]A- (stable) reaffirmed
Unallocated	4.63 (reduced from Rs 6.28)	[ICRA]A- (stable) reaffirmed
Total	287.2 (enhanced from Rs 257.21 crore)	

ICRA has reaffirmed the long term rating of [ICRA] A- (pronounced ICRA A minus) and revised the short term rating to [ICRA]A2+ (pronounced ICRA A Two plus) from [ICRA] A1 (pronounced ICRA A one) for Rs 287.2* crore (enhanced from Rs 257.21 crore) bank facilities of Bharat Biotech International Limited (BBIL)†. The outlook on the long term rating is stable.

The short term rating revision takes into account the liquidity stress confronted by BBIL in the current year owing to significant increase in the inventory levels. There had been significant increase in the working capital requirement at the yearend FY14 leading to more than expected increase in the debt levels. The high inventory levels are still continued and a part of it is expected to be carried over in the near term unless company is able to successfully launch rotavirus vaccine and get sufficient orders for Hepatitis vaccine. BBIL has high dependence on government institution for the sales of vaccine (70% of FY14 sales) in the domestic market where orders are secured through tendering process amidst high competitive intensity resulting in uncertainty in quantum of orders and also keeps pressure on the margin. BBIL had stocked significant inventory for Hepatitis vaccine anticipating orders from GoI which did not materialize, resulting in huge inventory pile up that has been funded by external borrowings. CC limit available with BBIL is currently fully utilised. The ratings continue to be constrained as BBIL's product profile is concentrated on domestic Oral Polio Vaccine (OPV) sales (57% of FY14 sales), which is expected to decline in the medium term given the likelihood of India being declared as polio free zone by 2015. Recent inclusion of Injectable Polio Vaccine (IPV) in UIP might further accelerate the decline in demand for OPV. Pentavalent vaccine which was expected to support growth for BBIL, has not yet taken off successfully for BBIL owing to stiff competition in the segment, despite its usage being scale up in India recently. Lack of WHO Prequalification - a prerequisite for entry into export market, for BBIL's products has limited its presence in export market. There has been significant delay in obtaining WHO prequalification for OPV which could have supported the growth and profit margins for BBIL. BBIL's long term growth would be contingent on successful commercialization of recently approved Rotavirus vaccine

* Rs 1 Crore = Rs 100 Lakh = Rs 10 Million

†For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



The ratings however continue to positively factor in significant experience of the promoters in the vaccine industry and BBIL's strong development capabilities witnessed through recent product launches which may reduce dependence on few old and mature products in the long term. Two of the recently developed products namely Rotavirus vaccine (Rotavac - likely to be launched in Nov 2014) and Japanese Encephalitis Vaccine (Jenvac - launched in October 2013) have been included in UIP, providing growth opportunity for BBIL. BBIL is the first Indian company to announce the launch of Rotavirus vaccine. Given the long gestation period for clinical trials and product approval processes, BBIL is well ahead of competitors having obtained the commercial licence for its rotavirus vaccine along with timely completion of the capex towards production facility. The existing competing products for Rotavac are priced at significant premium, which works in favour of BBIL. On the other hand, in case of Jenvac although the product being priced at a premium to Chinese imports, the existing demand supply gap coupled with indigenous nature of the strain may work in favour of BBIL. The revenue potential for this product will be determined by ability of BBIL in establishing supply contracts with the state governments. Given the high dependence on the government regulations for the successful commercialization of these products, BBIL's capability to charge premium is constrained. If launched successfully, Rotavac could help BBIL reduce its dependence on mature and relatively less profitable vaccines. The rating also factors in BBIL's healthy financial profile characterized by favourable operating margins, comfortable capital structure, and no major capex requirements in the near term.

Company Profile

Incorporated in 1996, Bharat Biotech International Limited (BBIL) was promoted by Dr. Krishna Ella with its manufacturing facility located in Hyderabad. BBIL broadly operates in two segments – Vaccines and Bio-therapeutics. Polio, Hepatitis - B, Typhoid, Rabies, Pentavalent and swine flu vaccines are the key products under vaccines segment. Human epidermal growth factor and bio therapeutic coagulant are the key drugs in bio therapeutic segment. Oral Polio vaccine has remained key revenue contributor for BBIL over the years. The company has recently launched vaccines for Japanese Encephalitis and conjugate vaccine for typhoid and has also announced the launch of vaccine for rotavirus causing diarrhoea.

Recent Results

As per the audited results of FY14 the company recorded revenues of Rs 265.06 crore and PAT of Rs 18.50 crore against Rs 296.21 crore and Rs 19.23 crore respectively in FY13.

November 2014

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