Bharat Immunologicals & Biologicals Corporation Limited

	Amount (Rs. Cr)	Rating Action
		March 2015
Long-Term Fund-based (CC)	70.0	**[ICRA]BBB-(Stable)** reaffirmed
Short-Term Non-fund Based (FLC)	80.0	**[ICRA]A3** reaffirmed
Total	**150.0**	

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs 70.0 crore[*] long-term fund based facilities and short-term rating of [ICRA]A3 (pronounced ICRA A three) to the Rs 80.0 crore short-term non-fund based facilities of Bharat Immunologicals & Biologicals Corporation Limited (BIBCOL)[†]. The outlook on the long-term rating is 'Stable'.

The rating reaffirmation takes into consideration the established presence of BIBCOL in the OPV segment and GoI's majority ownership. The continued parent support in terms of grants for research purpose and capex activities and operationally through an expert committee consisting of experienced and prominent professionals from renowned government institutions. ICRA ratings also derive comfort from the company's decent capital structure with no long-term borrowings and partly confirmed orders for OPV for FY16. The rating is, however, constrained by high product concentration risk (~98% of sales from OPV), the inability to develop new products with promising revenue visibility in the near term and the seasonality in the company's business. ICRA rating also factors in the foreign exchange rate fluctuation risk with 99% raw material requirements being met through imports and volatility in the financial performance given the company's dependence on tender awards. Although BIBCOL is dependent on a single customer i.e. Government of India, the risk of collections is lower on account of the priority given to such programmes in the Union Budget. The company's ability to reduce its dependency on the OPV segment and diversify its product profile, manage its forex risk and improve its profitability remains a key rating sensitivity.

BIBCOL is a Public Sector Undertaking (PSU) of the Government of India (GoI). In addition to receiving grants for capex and research purpose from the GoI, the company's Board of Directors is constituted by prominent high-rank personnel from the Department of Biotechnology, National Institute of Immunology, All India Institute of Medical Sciences etc. In addition to the Board of Directors, BIBCOL derives intellectual support from its expert committee that consists of experienced professionals from the pharmaceutical and biotechnological field of Government Institutions like AIIMS, Indian Council of Medical Research, National Institute of Immunology etc.

Supported by the inflow of OPV tender orders from GoI, BIBCOL has reported healthy revenue growth over the last three years. However, over the past five years, the company's revenues have been volatile and linked to the awarding of OPV by GoI. In FY14, BIBCOL posted an operating income of Rs. 202.8 crore, a 17.3% increase over the previous year primarily on account of tenders received from both the NIP and Pulse Polio campaigns. In 9M FY15, the company has recorded revenues of Rs. 122.7 crore (y-o-y growth of 24% from Rs. 99 crore in 9M FY14) supported by an additional order of 37 million doses for Pulse Polio, which was received in August 2014. Although BIBCOL witnessed robust growth for the last two years, raw material procurement issues and higher competition will lead to de-growth in revenue in FY15, as well as profit margins.

The operating margins of the company have been volatile with losses being reported in the years the company is not able to get OPV tender awards owing to overheads at the plant and corporate level.

[*] 100 lakh = 1 crore = 10 million

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

BIBCOL's operating profit improved marginally in FY14 with the company having established itself in the OPV market and hiked prices by 18.8%. During 9M FY15, the company has made an operating profit supported by execution of back orders and additional orders and also the steady prices of the OPV bulk.

Although the company has been awarded tenders for FY16, its revenue and earnings growth would be linked to its ability to remain competitive in pricing and successful execution will remain dependent on timely procurement of bulk OPV.

The credit period extended by BIBCOL's supplier is around two months (supplies backed by letter of credit). On the other hand the credit period BIBCOL receives from its clients (mainly constituting the GoI) is also around the same period. The time lag in payment cycles is therefore met by bank borrowings. Generally the payments are received from GoI within the March quarter and hence there is no outstanding working capital loan in the books as on 31st March 2014 with fund based limit utilisation peaking during second half of fiscal. Although the working capital requirements are expected to remain high with the scale of tenders expected, the debt indicators would remain stable, as most receivables would be liquated by March end.

Company Profile

BIBCOL is a Central Public Sector Unit, under the Department of Biotechnology (DBT), Ministry of Science & Technology. A biotechnology company spread across 50 acres of land in Chola, Bulandshahar district of Uttar Pradesh, India; BIBCOL was established in 1989, with the aim to achieve self sufficiency in the production and supply of high quality polio vaccine for the nation. The company has its Oral Polio Vaccine plant in the state of Uttar Pradesh, India. The company currently manufactures and produces a range of pharmaceuticals products such as Oral Polio Vaccines (OPV Vaccine), zinc tablets and Diarrhea Management Kits etc. BIBCOL's principal mission is to save the lives of millions of children from avoidable disability, through polio vaccination. BIBCOL is a listed company on the Bombay stock exchange, Delhi stock exchange and U.P. stock exchange.

Recent Results

As per provisional results for nine months of FY15, the company reported a net profit of Rs 4.6 crore on an Operating Income (OI) of Rs 122.7 crore.

March 2015

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