

BDA Healthcare Private Limited

January 09, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	9.50	16.50	[ICRA]B (Stable); Reaffirmed, removed from issuer not cooperating category
Fund-based Working Capital Facilities	0.50	0.50	[ICRA]B (Stable); Reaffirmed, removed from issuer not cooperating category
Total	10.00	17.00	

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]B (pronounced ICRA B)¹ to the Rs. 16.50 crore² term-loans (enhanced from Rs. 9.50 crore) and Rs. 0.50 crore working capital facilities of BDA Healthcare Private Limited ('BHPL' or 'the company'). The outlook on the long-term rating is 'Stable'.

Rationale

The rating favourably factors in the long-standing experience and qualification of the promoters in the pharmaceutical industry; and the support from group companies in terms of established presence and easy access to key export markets.

The rating is, however, constrained by the limited track record of company's operations; time and cost overruns arising out of increase in scope of the project; high reliance on debt funding for the project which is likely to keep the capital structure leveraged in the near term; and . ICRA notes that the company has sizeable repayments falling due in the near to medium term and hence its ability to scale up operations while maintaining healthy profitability would remain crucial for timely debt servicing.

Outlook: Stable

ICRA believes BDA Healthcare Private Limited will continue to benefit from the extensive experience of its promoters and support from its group companies. The outlook may be revised to 'Positive' if there is substantial growth in revenues and profitability, and improvement in the capital structure. The outlook may be revised to 'Negative' if cash accruals are lower than expected, or if any major debt funded capital expenditure undertaken by the company weakens its liquidity.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

Key rating drivers

Credit strengths

Extensive experience of promoters in the pharmaceutical industry spanning over a decade - BHPL is promoted by Mr. Santosh Deshpande, a graduate in pharmacy having an experience of working with reputed pharmaceutical companies in plant administration, green field projects, contract manufacturing etc. He has an experience of managing pharmaceutical trading companies, ODY Pharma Pvt Ltd and BDA Pharma Pvt Ltd. The company's other promoter, Mr. Daniel Biakou, is a graduate in Orthopaedic and has been into the field of research and development for more than 30 years.

Well-established marketing network of group companies likely to support revenues- BHPL will be initially manufacturing products to fulfil the requirement of its group companies BDA Pharma Pvt. Ltd. and Ody Pharma Pvt. Ltd. These two companies have two major dealers in Congo region of Africa who further sell the products to various distributors and retailers in Africa. The group companies at an aggregate level have reported turnover of Rs. 12.67 crore in FY2017.

Credit challenges

Lack track record of operations – BHPL has set up a green field project to manufacture formulations catering to therapeutic segments such as generic drugs. The project was initially expected to commercialise in November, 2016; however the same got delayed due to increase in scope of the project. The commercial production has started from June, 2017. Given the limited track record of operations, the stabilization of production processes and successful ramp up of operations at the earliest remains to be seen.

Sharp increase in project cost due to increased scope; sizeable debt funding likely to keep the gearing levels high - The total cost of project was initially estimated at Rs 13.72 crore, proposed to be funded by term loans of Rs 9.50 crore and promoter's funds of Rs 4.22 crore. The commercial operations were expected to commence from September 2016. However, the scope of the project was increased and additional machinery was purchased which led to increase in project cost from Rs. 13.50 crore to Rs. 31.50 crore. The same was funded by term loans of Rs. 16.50 crore and promoter's funds of Rs. 15.00 crore comprising of equity of Rs. 5.50 crore, unsecured loan of Rs. 1.17 crore and advances of Rs. 7.94 crore. The unsecured loans and advances are non-interest bearing in nature. Given the sizeable debt funding availed for the project, the capital structure is likely to remain leveraged.

Term loan repayments to commence shortly; successful ramp-up of operations with adequate profitability remains critical –The company has sizeable repayments in the near to medium term (Rs. 0.48 crore in FY2018, Rs. 2.89 crore in FY2019 and Rs. 2.89 crore in FY2020) which are scheduled to commence from February 2018. The ability of the company to scale up operations while ensuring healthy profitability would remain critical in order to generate sufficient accruals and ensure timely debt servicing.

Sale in unregulated market increases the competitive intensity and pressure to constantly introduce improved products - In unregulated pharma market, every player has to constantly invest in R&D to compete with the competitor products. BHPL already has the lease license for manufacturing 150 medicines from its group companies to thrive in such a competitive environment. Also the demographics of African markets in terms of income level and low healthcare insurance restricts the expenditure on healthcare sector and hence impacts revenue of various pharma companies. Due to low affordability there is high demand for generic products.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Entities in the Pharmaceutical Industry](#)

About the company:

BDA Health Care Private Limited (BHPL) is setting up a greenfield project at Nagpur for manufacturing formulations catering to therapeutic segments such as generic drugs. The company is a part of Nagpur based BDA group which comprises of two more companies namely BDA Pharma Private Limited and ODY Pharma Private Limited. At present the firm is managed by three partners, namely Mr. Santosh Deshpande, Mr. Daniel Biakou and CA Ali Hatim.

Key financial indicators

	FY 2016	FY 2017
	(Audited)	(Audited)
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	-	-
OPBDIT/ OI (%)	-	-
RoCE (%)	-	-
Total Debt/ TNW (times)	0.88	3.17
Total Debt/ OPBDIT (times)	-	-
Interest coverage (times)	-	-
NWC/ OI (%)	-	-

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on November 30, 2017 (Rs Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
								January 2018
1	Term Loan	16.50	16.50	[ICRA]B (Stable)	[ICRA]B(Stable)	[ICRA]B	-	-
2	Cash Credit Facility	0.50	-	[ICRA]B (Stable)	[ICRA]B(Stable)	[ICRA]B	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Feb-2016	NA	Feb- 2021	16.50	[ICRA]B (Stable)
NA	Cash Credit	NA	NA	NA	0.50	[ICRA]B (Stable)

Source: BDA Healthcare Private Limited

ANALYST CONTACTS

K Ravichandran

+91 44 4596 4301
ravichandran@icraindia.com

Suprio Banerjee

+91 22 6114 3443
supriob@icraindia.com

Tushar Bharambe

+91 22 6169 3350
tushar.bharambe@icraindia.com

Poorva Shelke

+91 22 6114 3411
poorva.shelke@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

© Copyright, 2017 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents