

Bioplus Life Sciences Private Limited

November 29, 2018

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based- Working Capital Facilities	20.00	20.00	[ICRA]A2; Reaffirmed
Non-fund Based	0.60	0.60	[ICRA]A2; Reaffirmed
Total	20.60	20.60	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the short-term rating of [ICRA]A2 (pronounced as ICRA A two) for Rs. 20.00-crore fund-based facilities and the Rs. 0.60-crore non-fund based facilities of Bioplus Life Sciences Private Limited (Bioplus).

Rationale

The rating reaffirmation continues to take into account the strong promoter background and extensive experience of the management team in the pharmaceutical business and the company's established track record in the nutraceuticals/dietary supplements market. The rating also factors in its reducing dependence on contract manufacturing services (CMS) segment on the back of healthy growth under its branded formulations business mitigating order volatility risk associated with CMS business and in turn aiding business stability. The rating also derives comfort from its relatively diversified customer base with new client addition in FY2018. Further, the company's ongoing efforts towards establishing in-house brands and product registration in newer geographies are likely to aid in geographical diversification. The rating also takes into account Bioplus' comfortable financial risk profile characterised by low gearing and healthy liquidity position with significant amount of cash and liquid investments.

However, the rating is constrained by the continued erosion in the company's net worth owing to write-offs pertaining to the investments and loans extended to one of its wholly-owned subsidiaries. ICRA notes that Bioplus continues to extend additional loans to support the operations of the loss-making subsidiary, and hence, its ability to turnaround the operations of the subsidiary continue to be a key monitorable for its credit profile. Further, the rating also factors Bioplus' moderate scale of operations and modest operating margins, amidst stiff competition from other players.

Outlook: Stable

The Stable outlook reflects ICRA's belief that Bioplus will continue to benefit from the extensive experience of its promoters and improving market position across geographies for its branded products. The outlook may be revised to Positive if substantial growth in its revenue and profitability, and improvement in the financial performance of its subsidiary, strengthens the company's financial risk profile. The outlook may be revised to Negative if there is deterioration in its margins and coverage indicators, or if further write-offs of investments/loans extended to its subsidiary weakens Bioplus' capital structure or liquidity position.

Key rating drivers

Credit strengths

Extensive experience of promoters in the pharmaceutical industry - The company's management team has extensive experience of over 30 years in the industry, enabling Bioplus to carry out its operations with focussed guidance. Further, Bioplus's high focus on maintaining its quality standards and having the manufacturing units compliant with stipulations issued by international organisations like the World Health Organisation aids the business.

Strong relationship with its customers - The company has strong relationships with its customers leading to repeat orders. It has established relationships with reputed pharmaceutical companies, which supported the growth of its contract manufacturing and branded business.

Revenues diversified across geographies - The company has presence in South East, CIS, Africa and Middle East countries and its ongoing efforts towards establishing in-house brands and product registration in newer geographies are further expected to aid in geographical diversification.

Financial risk profile characterised by low gearing and healthy liquidity position - The company's debt levels have witnessed declining trend for the past five years supported by an improvement in its working capital cycle and overall moderation in the working capital borrowings. The gearing has improved to 0.08 times as on March 31, 2018 as against 0.10 times as on March 31, 2017. Moreover, the liquidity position is comfortable with significant amount of cash and liquid investments.

Credit challenges

Modest scale of operations - The scale of operations remains relatively small, which restricts the market position, ability to influence business trends and pricing within the industry and operational efficiency of the company. Further, its operating margins declined to 5.38% in FY2018 as against 5.65% in FY2017.

Stiff competition from large players in the market - The highly fragmented market structure with intense competition from Chinese players leads to pricing pressure, especially in the CMS segment. However, Bioplus has reduced dependence on the CMS segment on the back of healthy growth under its branded formulations business, which also mitigates the order volatility risk associated with its CMS business.

Support extended to subsidiary - The company extends support to one of its loss-making subsidiary. There is continuous erosion in its net worth owing to write-offs of the investments and loans extended to its subsidiaries. However, low debt levels and substantial liquid investments lend comfort to the credit profile despite the aforementioned write-off.

Liquidity position

The company's liquidity profile is comfortable with a buffer from undrawn working capital facilities and cash and liquid investments. It had cash and liquid investments of Rs. 25.99 crore as against a total debt outstanding of Rs. 6.27 crore as on March 31, 2018. Further, there are no outstanding long-term loans with scheduled repayments. It is at present undertaking a capital expenditure of approximately Rs. 10.00 crore towards the up-gradation of the manufacturing unit, the funding for which will be through its internal funds. The liquidity position may be impacted in case of sustained erosion in the liquid investments following additional support extended to its subsidiary.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating methodology for Pharmaceutical companies
Parent/Group Support	Not applicable
Consolidation / Standalone	Standalone financial statements of the issuer.

About the company:

Bioplus is a 100% export-oriented unit (EOU) involved in contract manufacturing of healthcare products and also manufacturing and marketing of healthcare products under its own label. The company sells its branded products across multiple geographies including South East Asia, Africa, Middle East and CIS countries amongst others. Major products marketed by the company include licensed drugs for the treatment of osteoarthritis, vitamins, minerals and health supplements for bone health, eye health, women's health, etc.

In FY2018, the company reported a net loss of Rs. 2.57 crore on an operating income (OI) of Rs. 68.23 crore, as compared to a net loss of Rs. 6.63 crore on an OI of Rs. 64.77 crore in the previous year.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	64.77	68.23
PAT (Rs. crore)	-6.63	-2.57
OPBDIT/OI (%)	5.65%	5.38%
RoCE (%)	-5.09%	-0.28%
Total Debt/TNW (times)	0.10	0.08
Total Debt/OPBDIT (times)	2.21	1.71
Interest Coverage (times)	6.37	6.99

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating November 2018	Date & Rating in FY2018 August 2017	Date & Rating in FY2017 May 2016	Date & Rating in FY2016 April 2015
1 PC/PCFC/FDB/FBE/BRD*	Short Term	20.00	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2
2 Foreign Letter of Credit	Short Term	0.60	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2

*Pre-shipment finance - Packing Credit (PC), Pre-shipment Credit on Foreign Currency (PCFC)
Post shipment Finance – FDB, FBE, BRD

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	PC/PCFC/FDB/FBE/BRD	NA	NA	NA	20.00	[ICRA]A2
NA	Foreign Letter of Credit	NA	NA	-	0.60	[ICRA]A2

Source: Bioplus Life Sciences Private Limited

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