October 24, 2017

Bilcare Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Proposed fixed deposit (FD) programme	125.00	MC ; Reaffirmed
Total	**125.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed MC (pronounced M C) to the Rs. 125.00-crore[1] fixed deposit programme of Bilcare Limited (Bilcare)[2].

Rationale

The rating reaffirmation reflects Bilcare's stretched liquidity profile and weak coverage indicators in the backdrop of net losses in the business and leveraged capital structure. While operations at the standalone level are generating losses, it is reporting operating profits at the consolidated level. However, at the net level, the company is reporting losses at both the standalone and consolidated levels owing to large interest expense which has resulted in erosion of the net worth. The debt levels are elevated, resulting from organic and inorganic capex done in the past which have not yielded adequate returns. Owing to the strained liquidity profile, the company has been delaying on its bank obligation and the account has been classified as a non-performing asset (NPA) by the banks. Nevertheless, as per the management, Bilcare has been regular in servicing its repayment obligation towards the fixed deposit holders post-revision in repayment schedule by the Company Law Board. Going forward, company's ability to regularise its repayment obligation towards banks as well as timely servicing of its fixed deposit obligation remains the key rating sensitivity.

Key rating drivers

Credit strengths

- **Strong position in blister packing segment** – Bilcare is a global player in the solid dosage pharma blister packaging with approximately 25% market share (Source: Bilcare's management) and presence in more than 120 countries. The company primarily competes with the Wendel Group, Klöckner Pentaplast and Uhlmann in the international markets. As per the management, Bilcare is the leader in several markets which includes Brazil, Russia, India, China, Korea, South Africa, Turkey, Mexico. It also has presence in markets such as Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa which will drive future growth.

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[1] *100 lakh = 1 crore = 10 million*

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

Credit weaknesses

- **Delay in repayment of debt obligation** – The company is irregular in paying interest as well as principal repayment obligation of the bank debt. Bilcare is classified as a wilful defaulter by a few banks and its account is classified as NPA, though the fixed deposit payment post-restructuring is timely as per the management.
- **Stressed liquidity position owing to loss-making Indian operations** – Bilcare's Indian operation is, at present, facing a working capital crunch, which has resulted in sub-optimal capacity utilisation and subsequently led to a steady decline in the standalone revenue. Consequently, the operating profits/margins are also impacted due to a negative operating leverage, which when coupled with a large interest expense (due to leveraged capital structure), resulted in substantial losses at the net level.
- **Adverse capital structure and coverage indicators** – The company's debt-funded organic and inorganic investment failed to be materialised as per initial expectations which resulted in adverse capital structure and coverage indicators

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

Links to applicable criteria:
Corporate Credit Rating Methodology

About the company:
Incorporated in 1987, Bilcare Limited (Bilcare) is primarily involved in manufacturing speciality pharmaceutical packaging barrier films. Bilcare provides pharmaceutical packaging innovation (PPI) services and products, global clinical services (GCS) and anti-counterfeit technologies to major pharmaceutical companies. Over the years, Bilcare has diversified its geographical presence by organic and inorganic expansion. The company's manufacturing facilities are located in India, Singapore, USA and Europe and its R&D facilities are in India, Singapore and the USA.

Key financial indicators (Audited)

	Standalone		Consolidated	
	FY2016	FY2017	FY2016	FY2017
Operating Income (Rs. crore)	315.4	285.6	2602.9	2632.9
PAT (Rs. crore)	(78.2)	(65.9)	(82.2)	(79.8)
OPBDIT/ OI (%)	4.8%	-1.0%	7.9%	7.1%
RoCE (%)	-11.7%	-0.6%	-1.4%	4.5%
Total Debt/ TNW (times)	1.6	1.6	2.8	3.0
Total Debt/ OPBDIT (times)	65.0	-302.2	10.3	10.7
Interest Coverage (times)	0.5	-0.1	1.4	1.1
NWC/ OI (%)	-93.0%	-143.9%	8.0%	0.6%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	**Amount Rated (Rs. crore)**	**Amount Outstanding (Rs. crore)**	**Date & Rating**	**Date & Rating in FY2017**	**FY2016**	**FY2015**
					October 2017	**August 2016**	**NA**	**NA**
1	Proposed Fixed Deposit Programme	Medium Term	125.00	**-**	MC	MC		

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

Instrument	**Date of Issuance / Sanction**	**Coupon Rate**	**Maturity Date**	**Amount Rated (Rs. crore)**	**Current Rating and Outlook**
Proposed Fixed Deposit Programme	-	-	-	125.00	MC

Source: The Company

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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.

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