



Press Release

Beaufond Plc

March 10, 2021

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Issuer Rating	NA	IVR AA [Is] /Stable (IVR Double A [Is] with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The issuer rating assigned to Beaufond Plc (Beaufond) draws comfort from extensive experience of its board members and management, geographical as well as product portfolio diversification, conservative capital structure and continuous improvement in financial performance over the past three fiscals. The rating also positively notes its asset light model of operations which enables the company to scale up operations without incurring significant capital expenditure. However, these rating strengths remain constrained due to high receivables and susceptibility of operations to regulatory restrictions.

Key Rating Sensitivities

Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors:

- Decline in operating income and/or profitability on sustained basis
- Deterioration in the capital structure
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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- **Experienced Board of Directors and management**

Beaufond has a qualified and experienced Board comprising of five directors, of which four are independent. The Board members are well qualified and experienced in the fields of banking operations, corporate strategy, investment management, accounts, law and taxation. The diverse and extensive experience of all the directors ensures a good balance in the company's decision-making process. Besides, well experienced management team also enables the company to grow and penetrate newer markets globally.

- **Asset light model of operations**

Beaufond follows asset-light model of operations and also outsources its manufacturing to contract manufacturers. This enables the company to scale-up its operations without incurring significant capital expenditure and offers higher flexibility and lower overhead cost.

- **Conservative capital structure**

The Company has a healthy capital structure with strong net worth base and no long-term debt on its books as on December 31, 2020. Its total net worth stood at ~Rs. 2058 crore (USD 289.93 million) as on June 30, 2020.

- **Diversified product portfolio**

The company has a diversified product portfolio under its three verticals – Pharma & Chemicals, IT & Telecom and other merchandising. Pharma & Chemicals is relatively larger vertical for the company contributing to ~76% of revenues in FY20, whereas IT & Telecom covers 7% of revenue and balance 17% revenue is under other merchandising. Under Pharma & Chemicals segment, it has a wider product portfolio catering to therapeutic segments such as anti-malarial, anti-cancer, pain management, erectile dysfunction, hormone replacement therapy, anti-obesity etc.

- **Geographical diversification**

Beaufond Plc has a presence in more than 50 countries around the world. It is geographically diversified with major revenue coming from Asian countries.

- **Improvement in financial performance in FY20 and 6MFY21**

Over the past three years, the company has been able to scale up its operations while diversifying its product profile and geographical footprint. Total operating income of the company increased from ~Rs. 7100 Crore (USD 1000.29 million) in FY19 to ~Rs. 8211 Crore



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(USD 1156.78 million) in FY20, registering a growth of ~16%. This growth was mainly driven by an increase in sale of pharma chemicals products amid covid-19 pandemic. EBITDA margin also improved from 4.58% in FY19 to 4.73% in FY20. PAT margin improved in line with EBITDA margin. During H1FY21, the company achieved revenue of ~Rs. 4733 crore (USD 666.65 million).

Key Rating Weakness

- **Operations exposed to regulatory changes**

Beaufond caters to various regulated and semi-regulated markets. Its pharma segment operations thus remain exposed to regulatory risks such as pricing controls, manufacturing facility approvals, timely product approvals etc. Any adverse regulatory changes could impact the company's operating performance.

- **High receivables**

The debtor days remain high owing to the high credit period offered to the customers. It stood at 137 days as on June 30, 2020. However, its receivables are covered under insurance.

Analytical Approach: Consolidated (including Seychelles based wholly owned subsidiary)

For arriving at the ratings, Infomerics has considered the consolidated financials given the strong operational and financial linkages between the entities.

The list of companies considered for consolidated analysis is given in Annexure 2.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate

Beaufond's liquidity position appears strong, characterised by its healthy cash accruals, absence of long-term debt and no major investments or capital expenditure planned in the near term.

About the Company



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Beaufond Plc was incorporated on April 15, 2009 and registered in Dubai International Financial Centre (DIFC), Dubai under DIFC Law No. 5 of 2018. The company has three vertical line of businesses i.e pharma chemicals, IT & Telecom and other merchandising. The company is one of the largest suppliers of active pharmaceutical raw materials with contract manufacturing facilities in Asia (India, China and Vietnam). The Company's contract manufacturers are holding a license from Food and Drug Administration of the respective countries for manufacture of liquids, lozenges and ointments. The Company is ISO 9001:2015, ISO 14001:2015, and ISO 18001:2007 accredited.

Financials: Consolidated

For the year ended* / As On	30.06.2019		30.06.2020	
	Audited (USD million)	Audited (Rs. Crore)^	Audited (USD million)	Audited (Rs. Crore)^
Total Operating Income	1000.29	7100.55	1156.78	8211.39
EBITDA	45.80	325.08	54.70	388.31
PAT	45.02	319.56	54.02	383.43
Total Debt	0.00	0.00	0.00	0.00
Net worth	243.41	1727.85	289.93	2058.04
EBITDA Margin (%)	4.58	4.58	4.73	4.73
PAT Margin (%)	4.50	4.50	4.67	4.67
Overall Gearing Ratio (x)	0.00	0.00	0.00	0.00

*Classification as per Infomerics' standards.

^ The company's functional currency is US dollar, however for representation purpose figures have been converted into INR using conversion rate of Rs. 70.985 per USD.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating s	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Issuer Rating	NA	NA	IVR AA [Is]/ Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Issuer Rating	-	-	-	NA	IVR AA [Is] / Stable

Annexure 2: List of companies considered for consolidated analysis

Name of the Company	Consolidation Approach
Discovery International Ltd	Full consolidation