Press Release

Bliss GVS Pharma Limited (BGPL)

April 07, 2023

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Term Loan	61.50 (Reduced from INR84.25 crore)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Fund Based Facility – Bills Discounting	40.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Short Term Fund Based Facility – PCFC	10.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Short Term Non-Fund Based Facility – Letter of Credit	25.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	**136.50**	**(Rupees One Hundred Thirty-Six Crore Fifty Lakh Only)**		

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation to the long term and short-term bank facilities of Bliss GVS Pharma Limited (BGPL) factors in improvement in financial and operating performance of the Company during FY22 as expected. The rating also factors in sustainable performance of the Company in FY23 considering 9MFY23 financials. Further, the rating reaffirmation to the bank facilities of BGPL continues to derive comfort from long operational track record; experienced management, established market position and robust financial risk profile. The ratings are, however, constrained by working capital intensive nature of operations, vulnerability to change in Government / Regulatory policies and volatility in raw material prices, geographical concentration and foreign exchange fluctuation risk.

Key Rating Sensitivities:

Upward Factors

- Sustainability of working capital cycle below 250 days
- Significant improvement in net cash accrual through improved scale of operations and improvement in profitability along with significant geographical diversification

Downward Factors

- Negative pressure on ratings could arise if any debt-funded capex/acquisitions/hive off of profitable divisions lead to substantial deterioration in the company's credit profile
- Further deterioration in debtors' profile could also impact ratings

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Long Operational Track Record; Experienced Management

BGPL has an operating record of over 35 years in the pharmaceutical industry. This has enabled the Company to establish strong relationships with various stakeholders including suppliers and customers. Mr. S N Kamath has resigned as Managing Director of the Company with effect from May 11, 2021. Subsequently, Mr. Gagan Harsh Sharma was appointed as the Managing Director of the Company. BGPL continues to have experienced key management personnel and strong relationships with various stakeholders with industry presence of over three decades.

Established Market Position

The Company has developed strong market position in the Sub-Saharan African region for its brands in the anti-malarial, dermatology and anti-inflammatory segments. The Company is a leader in manufacturing suppositories and pessaries dosage forms. According to the management, the Company generates around 40% of its revenue from anti-malarial segment, 20% from dermatology, 10% from antibiotic and 10% from anti-inflammatory branded formulations across the Sub-Saharan African markets. Further, BGPL has started its business operations in South East Asia, Middle East and Commonwealth of Independent States (CIS) countries.

Robust Financial Risk Profile

The Company achieved total operating income of Rs.636.36 crore in FY22 (A) as compared to Rs.465.51 crore in FY21 (A). EBITDA Margin decreased marginally to 17.16% in FY22 (A) from 19.65% in FY21 (A). However, PAT margin stood range bound at 13.85% in FY22 (A) (FY21: 13.97%). The financial risk profile remained comfortable as demonstrated by capital structure and debt protection metrics. Total Outside Liabilities/Tangible Net worth remained at 0.27x (0.25x) and overall gearing ratio at 0.11x (0.12x) in FY22 (A). The Interest Service Coverage ratio is comfortable at 32.49x as on March 31, 2022 as against 28.94x as on March 31, 2021.

Further, BGPL achieved total operating income of Rs.454.92 crore during 9MFY23 while EBITDA and PAT margin stood at 27.15% and 17.45% respectively during the same period.

Key Rating Weaknesses:

Working Capital Intensive Nature of Operations

Operating cycle stood at 228 days as on March 31, 2022, on account of large export receivables. The company operates in multiple geographies and has a wide product portfolio; hence, it is required to maintain substantial inventory to ensure adequate supply. Further, the debtor days are expected to remain high on account of transit period of 90-100 days as well as credit period in the range of 3-4 months offered to the customers (primarily African countries). However, Company is in process to implement several steps to reduce its working capital cycle which is evident in reduced working capital cycle in FY22 (A) as compared to similar period last year.

Vulnerability to Change in Government/Regulatory Policies and Volatility in Raw Material Prices

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the Company. Having geographical presence in more than 64 emerging markets, Company needs to be constantly updated with the changing guidelines. Timely product and facility approval/renewal, in various semi-regulated markets, remains critical for the growth of exports going forward.

Geographical Concentration

The Company's major revenue comes from African countries, which significantly exposes the group's performance to geopolitical changes in the region. However, Company's new manufacturing facility at Palghar, Maharashtra is designed to cater USA and EU market. This is expected to facilitate reduction of reliance on African region sales over FY23-FY25. Also, as per the publicly available information, during the year USFDA (United States Food and Drug Administration) inspection was carried out at Palghar West, Maharashtra Facility and USFDA has issued form 483 with three minor observations at company's manufacturing facility. The Company shall submit its response to USFDA in stipulated time. However, the impact of the same shall be ascertained in due course. As per the management of the Company, it will help them to scale up suppository and pessary operations to USA Market.

Foreign Exchange Fluctuation Risk

The company is exposed to currency fluctuation risk to the extent that there is a mismatch between the currencies in which Export sales, import purchase, other expenses and borrowings in foreign currency are denominated and the functional currency of the company. The currencies in which these transactions are primarily denominated are Euro and USD. The company hedges foreign currency exposure by booking forward contracts of minimum 40-50% of total foreign currency exposure. Though the company has adequate PAT to absorb losses arising due to the currency fluctuation, profitability of BGPL may get affected by volatility in forex rate.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for rating outlook

Liquidity – Strong

The liquidity position of the Company is strong marked by sufficient cash accruals of Rs.109.59 crore as against its repayment obligations of ~Rs.12.00 crore in FY23. The Company's average fund based working capital limit utilisation stood at ~56% for the last 12 months ended February 2023. Further, the company has adequate gearing headroom on the back of its comfortable capital structure as the TNW of the company stood at Rs. 851.08 crore as on March 31, 2022. The current ratio of the Company stood at 4.10x as on March 31, 2022. The free cash and cash equivalent stood at Rs.106.90 crore as on March 31, 2022.

About the Company

Bliss GVS Pharma Limited (BGPL), incorporated in 1984, is involved in manufacturing, marketing & exporting of more than 250 Branded Formulations that span across 20+ therapeutic segments and 16+ dosage forms. The company has a presence in more than 64 countries, with a major focus on the sub-Saharan African region. Its manufacturing facilities are located in Maharashtra which are certified as per ISO14001, OHSAS 18001, EU-GMP & WHO-GMP. BGPL also contract-manufactures suppositories and pessaries for domestic sales, for various domestic players. However, BGPL's revenue primarily consists of exports.

Financials (Standalone):

(INR Crore)

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	465.51	636.36
EBITDA	91.46	109.20
PAT	67.50	92.66
Total Debt	91.84	89.92
Tangible Net Worth	755.11	851.08
Ratios		
EBITDA Margin (%)	19.65	17.16
PAT Margin (%)	13.97	13.85
Overall Gearing Ratio (x)	0.12	0.11

**Classification as per Infomerics' standards*

Status of Non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

<table>
<tr><th rowspan="3">Sr. No.</th><th rowspan="3">Name of Instrument /Facilities</th><th colspan="3">Current Ratings (Year 2023-24)</th><th colspan="5">Rating History for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount outstanding (Rs. Crore)</th><th rowspan="2">Rating</th><th>Date(s) & Rating(s) assigned in 2022-23</th><th colspan="2">Date(s) & Rating(s) assigned in 2021-22</th><th colspan="2">Date(s) & Rating(s) assigned in 2020-21</th></tr>
<tr><th></th><th>January 10, 2022</th><th>December 28, 2021</th><th>December 18, 2020</th><th>October 26, 2020</th></tr>
<tr><td>1.</td><td>Fund Based Bank Facilities – Term Loan</td><td>Long Term</td><td>61.50</td><td>IVR BBB/ Stable</td><td>--</td><td>IVR BBB/ Stable</td><td>IVR BBB-/ Positive</td><td>IVR BBB-/ Stable</td><td>IVR BBB-/ Stable</td></tr>
<tr><td>2.</td><td>Fund Based Bank Facilities – Bills Discounting</td><td>Short Term</td><td>40.00</td><td>IVR A3+</td><td>--</td><td>IVR A3+</td><td>IVR A3</td><td>IVR A3</td><td>IVR A3</td></tr>
<tr><td>3.</td><td>Fund Based Bank Facilities – PCFC</td><td>Short Term</td><td>10.00</td><td>IVR A3+</td><td>--</td><td>IVR A3+</td><td>IVR A3</td><td>IVR A3</td><td>IVR A3</td></tr>
<tr><td>4.</td><td>Non-Fund Based Bank Facilities – Letter of Credit</td><td>Short Term</td><td>25.00</td><td>IVR A3+</td><td>--</td><td>IVR A3+</td><td>IVR A3</td><td>IVR A3</td><td>IVR A3</td></tr>
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs.Crore)	Rating Assigned/ Outlook
Term Loan	--	--	FY26	41.50	IVR BBB / Stable
Term Loan	--	--	FY27	20.00	IVR BBB / Stable
Bills Discounting	--	--	Revolving	40.00	IVR A3+
PCFC	--	--	Revolving	10.00	IVR A3+
Letter of Credit	--	--	--	25.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-BGPL-apr23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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 https://www.infomerics.com/.