Press Release

Bliss GVS Pharma Limited (Bliss)

January 10, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	84.25 (increased from Rs. 70.00 crore)	IVR BBB / Stable (IVR Triple B with Stable Outlook)	**Revised**
Short Term Bank Facilities	75.00 (reduced from Rs. 90.00 crore)	IVR A3+ (IVR A Three Plus)	**Revised**
Total	**159.25 (One Hundred and Fifty-Nine Crore and Twenty-Five Lacs)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating of the bank facilities of Bliss GVS Pharma Limited factors in provisional financial performance of Q3FY22 and information that Company is covered with total turnover policy negating default risk from counterparty. The ratings also continue to factor improved 1HFY22 financial performance and working capital cycle as compared to same period last year and further expected improvement in performance with change in Company's marketing policy in some of the key markets.

The ratings continue to derive strength from Long Operational Track Record; Experienced Management, Established Market Position and Robust Financial Risk Profile. However, rating continues to remain constrained on account of Working Capital Intensive Nature of Operations, Vulnerability to Change in Government/Regulatory Policies and Volatility in Raw Material Prices, Product and Geographical Concentration and Foreign Exchange Fluctuation Risk.

Key Rating Sensitivities:

Upward Factors

- Sustainable reduction in working capital cycle to less than 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

Bliss has an operating record of over 35 years in pharmaceutical industry. This has enabled Company to establish strong relationships with various counterparties including suppliers and customers. Mr. Kamath resigned as Managing Director in FY21. However, Company continues to have experienced key management personnel and strong relationships with various stakeholders with industry presence of over three decades.

Established Market Position

Company has developed strong market position in the sub-African region for its brands in the anti-malarial, dermatology and anti-inflammatory segments. Company is a leader in manufacturing suppositories and pessaries dosage forms. According to the management, Bliss has market share of more than 75%, in private label sales of anti-malarial segment in sub-African region.

Robust Financial Risk Profile

The total operating income stood at Rs. 465.51 crores in FY2021 (Rs. 441.95 crores in FY2020) and EBITDA margin & PAT margin were at 19.65% & 13.97% respectively. The debt protection metrics is comfortable with Total Outside Liabilities/Tangible Networth at 0.25x and overall gearing ratio at 0.12x in FY21. The Interest Service Coverage ratio is comfortable at 28.94x as of 31st March 2021.

Key Rating Weaknesses

Working Capital Intensive Nature of Operations

Gross current assets were at 370 days as on March 31, 2021, 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, also evident in reduced working capital cycle in 1HFY22 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.

Product and Geographical Concentration

Around 60% (85% - FY20) of revenue in FY21 comes from African countries, which significantly exposes the group's performance to geo political changes in the region. However, Company's new manufacturing facility at Vevoor, Maharashtra is expected to cater to other developed markets of USA and EU. This is expected to facilitate reduction of reliance on African region sales over FY22-FY24.

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 uses forward exchange contracts to hedge its currency risk. Such contracts are generally designated as cash flow hedges. As on 31st March 2021, the company had unhedged FCY exposure of INR101.42Crore) (INR 171.99 crores- FY20). In case of a 5% increase in the USD/INR currency the estimated total impact on the profit & loss would be about INR5Crore. However, the company has adequate PAT to absorb losses arising due to the currency fluctuation.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The company has adequate liquidity marked by sufficient cash accruals of Rs. 82.53 crore in FY21 as against debt obligations of less than INR20Crore, repayable in FY22. The cash accruals of the company are estimated to remain above INR100.00crore during 2022-24. The fund based bank limit is 54% utilized by the company during the last twelve months ended October 2021. Current ratio of the company also stood comfortable at 4.6x as on FY21.

About the Company

Bliss GVS Pharma Ltd, 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. Bliss also contract-manufactures suppositories and pessaries for domestic sales, for various domestic players. However, Bliss GVSs' revenue primarily consists of exports.

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Audited)

Total Operating Income	426.59	441.95	465.51
EBITDA	93.10	100.17	91.46
PAT	74.43	92.33	67.50
Total Debt	71.69	93.08	91.84
Adjusted Tangible Net-Worth	584.55	664.06	736.82
Ratios			
EBITDA Margin (%)	21.82	22.66	19.65
PAT Margin (%)	16.10	19.28	13.97
Overall Gearing Ratio (x)	0.12	0.14	0.12

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL in their press release dated March 30th, 2021 has classified the case under issuer not cooperating status on account of non-submission of relevant information.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (December 28, 2021)	Date(s) & Rating(s) assigned in 2020-21 (December 18, 2020 & October 26, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long term Bank Facilities	Long Term	84.25	IVR BBB/ Stable	IVR BBB-/ Positive	IVR BBB-/ Stable	--	--
2.	Short Term Bank Facilities	Short Term	75.00	IVR A3+	IVR A3	IVR A3	--	--

Name and Contact Details of the Rating Analyst:

Name: Ruchi Shah Tel: (022) 62396023 Email: ruchi.shah@infomerics.com	Name: Prakash Kabra Tel: (022) 62396023 Email: Prakash.kabra@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating 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 (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	84.25	IVR BBB/ Stable
Bills Discounting	-	-	-	40.00	IVR A3+
PCFC				10.00	IVR A3+
LC				25.00	IVR A3+
Total				**159.25**	

Annexure 2: List of companies considered for consolidated analysis: Nil

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Bliss-Pharma-lenders-jan22.pdf

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Bills Discounting	Simple
3.	PCFC	Simple
4.	LC	Simple

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.