

June 28, 2024

Bharat Biotech International Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short term – non-fund based working capital facilities	466.00	151.00	[ICRA]A1+; Reaffirmed
Long term / Short term – Fund based/non-fund-based facilities	205.00	175.00	[ICRA]AA (Stable)/ [ICRA]A1+; Reaffirmed
Total	671.00	326.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmed ratings continue to consider the extensive experience of the promoters along with the established presence of Bharat Biotech International Limited (BBIL/ the company) in the domestic and international vaccine market for over two decades. BBIL has a wide portfolio of vaccines and strong product development capabilities and collaborations with reputed national and international organisations. The company has sizeable cash reserves in addition to large bonds/equity and investments as on March 31, 2024, indicating a strong liquidity position. The company's debt metrics remain strong owing to nil debt on the company's balance sheet as on March 31, 2024. BBIL also has a healthy order book position for FY2025 supporting its business prospects.

ICRA notes that the company is dependent on the government & institutional business and the same may result in delays in payments and off-take of inventories leading to an elongated working capital cycle. BBIL is expected to maintain a certain level of inventory to meet the customer delivery schedules, resulting in high working capital intensity. BBIL's product concentration is high with top 4 vaccines contributing to majority of its revenues in FY2024. The rating also factors in the increasing competition and notes that new entrants in key revenue generating vaccines could exert pressure on the company's margins. Nevertheless, BBIL's strong market position in these 4 vaccines is expected to support its business prospects.

During Q1 FY2025, the company acquired majority stake in Sapigen Biologix Private Limited (Sapigen), which was a company held entirely by BBIL's promoter earlier. Sapigen is setting up a large vaccine manufacturing facility in Bhubaneswar, Odisha with current investment of ~Rs. 1,000 crores in addition to share capital induction. The same is being partly funded by Rs. 300 crores of debt from financial institutions and promoter loans. Any further significant capital expenditure (including inorganic expansion) funded through borrowed funds remains an event risk and would be evaluated on a case-to-case basis.

The Stable outlook on the long-term rating reflects ICRA's opinion that BBIL will continue benefiting from its established market position in its key revenue generating vaccine and healthy order book levels. Strong financial profile supported by robust liquidity position and healthy accruals further support the rating outlook.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established presence in domestic vaccine market – BBIL has a demonstrated track record of more than two decades in manufacturing vaccines with large production capacity and a wide product profile, including vaccines for polio, rotavirus, rabies, typhoid, hepatitis, and the pentavalent vaccine. The extensive experience of the promoters in the vaccine space will continue to support the company's business profile. BBIL has three World Health Organization pre-qualified (WHO PQ) vaccines—TCV, RV and OPV—which is expected to support its export supplies going forward. Further, new products like malaria and cholera vaccines would add to the company's product portfolio.

Strong track record of development capabilities – BBIL has launched more than 20 products since its inception. It is the first company in the world to launch the TCV and the first in India to launch the RV. Further, the company has developed India's first indigenous Covid-19 vaccine in FY2021 demonstrating its strong development capabilities. In addition, it has also been associated with reputed national and international organisations, which have provided support in the form of grants and access to low-cost funding for product development and clinical trials. The company is currently undertaking development of Cholera and Malaria vaccines and expects to commercialise the same in the next 1-2 years.

Healthy margins, robust liquidity and nil debt position – During FY2024, standalone OPM of the company declined due to decline in revenues of COVAXIN. Further, the company was undertaking development of Cholera and Malaria vaccines which led to capacity constraints in its plant in Hyderabad, which further impacted its margins. Further, the company's PAT margins were impacted by write-off of COVAXIN inventory of ~Rs. 161 crore in FY2024. ICRA understands that there will be no more COVAXIN inventory write-offs going forward. Despite decline in revenue in FY2024 compared to FY2022 and FY2023, the company has a strong financial profile with a robust capital structure as the company continued to be debt-free throughout the year and as on March 31, 2024. Further, the company has sizeable cash reserves in addition to large bonds/equity investments indicating a strong liquidity position. Going forward, BBIL will be consolidating Sapigen's debt around Rs. 550 crores on its balance sheet. However, the company's capital structure is expected to be strong going forward with healthy coverage and leverage metrics.

Healthy order book position – BBIL enjoys a healthy order book position backed by its existing product supplies to domestic as well as export markets. Going forward, with enhancing supplies for non-Covid vaccines, expected product launches in new markets and its established market position, BBIL's business prospects are likely to improve.

Credit challenges

High product concentration – While COVAXIN contributed to most of its revenues in FY2022, the company's top 4 vaccines drove majority of its revenues in FY2024. While OPV was the key revenue contributor in the past, the company's dependence on OPV has decreased sharply with steady ramp-up in the volumes of TCV, RV and JE. Although the company faces competition in the RV and JE segments, BBIL has a strong market position in export markets.

Large dependence on Government institutions; high working capital intensity – GOI vaccine institutions remain the largest domestic customer segment for BBIL, accounting for ~31.5% in FY2023. During H1 FY2024, the supply to GOI formed 27.8% of sales. This exposes BBIL's revenue growth and earnings to fluctuations in order quantity by GOI institutions and could also result in delays in payments and off-take of inventories resulting in elongation of working capital cycle. As on March 31, 2024, the company's working capital intensity was high at (standalone basis) mainly due to higher inventory levels and reduction in trade payables.

Competitive pressure in vaccine segment – BBIL was the only manufacturer of RV in India until 2017 and accordingly secured 100% of the orders floated by the GOI for the Universal Immunization Program (UIP). Although BBIL's market share reduced in subsequent years with the launch of RV by a competitor, it has maintained a healthy market position in the domestic RV segment. Going forward, increase in competition on account of new entrants in the key revenue-generating vaccine segments like RV, TCV and JE could exert pressure on its margins. Nevertheless, BBIL's strong market position in these vaccine products are expected to support its business prospects.

Liquidity position: Strong

BBIL's liquidity is strong characterised by sizeable cash and liquid investments, in addition to large investments in long term instruments. The company did not utilise its fund based working capital limits of Rs.205.0 crore over the 12-month period ending February 2024. The capex is estimated to be ~Rs. 50 crore in FY2025, and Rs. 30 crore each for FY2026 and FY2027 at

the standalone level. ICRA expects BBIL's liquidity position to remain strong over the medium term owing to its healthy accruals as well as existing cash and liquid investment reserves. Starting FY2025, BBIL will consolidate Sapigen's debt around Rs. 550 crores on its balance sheet out of which Rs. 300 crore is from institutional lenders. The repayments for the same is expected to commence from Q4 FY2026. The repayments for FY2026 and FY2027 are expected to be Rs. 15 crore and Rs. 60 crore respectively. The company is expected to have healthy internal accruals which will be adequate to meet all its operational obligations.

Rating sensitivities

Positive factors – The rating can be upgraded in case of a sustained increase in scale of operations and earnings, with diversification across products while maintaining a strong liquidity position and debt coverage metrics.

Negative factors – Pressure on the company's ratings could arise in case of a sustained deterioration in its operational performance or significant debt-funded capex/ acquisitions, leading to the weakening of its credit profile and liquidity position. Specific metric that could result in a rating downgrade would include total debt/OPBDITA more than 1.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry
Parent/Group support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has taken consolidated financial statement of BBIL.

About the company

Incorporated in 1996, BBIL is promoted by Dr. Krishna Ella and has a manufacturing facility in Hyderabad. As on March 31, 2024, the promoter family held ~99% equity stake in the company, directly or indirectly. BBIL's key products in the vaccine segment are TCv, RV, JE vaccine and OPV. While OPV has been a key revenue contributor for BBIL over the years, it started deriving most of its revenues from RV and TCv following a healthy ramp-up in these markets. The company also developed COVAXIN during FY2021, which contributed to substantial improvement in its revenues and liquidity position in FY2022.

Key financial indicators (audited)

BBIL Consolidated	FY2022	FY2023	FY2024*
Operating income	8,148.1	2,001.3	1,384.1
PAT	2,895.9	568.6	287.2
OPBDIT/OI	61.7%	30.0%	23.8%
PAT/OI	35.5%	28.4%	20.7%
Total outside liabilities/Tangible net worth (times)	1.1	0.2	0.1
Total debt/OPBDIT (times)	0.3	-	-
Interest coverage (times)	77.9	61.7	102.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Standalone data (provisional)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jun 28, 2024	-	Mar 24, 2023	Jan 31, 2022
1 Non-fund based working capital facilities	Short-term	151.00	--	[ICRA]A1+	-	[ICRA]A1+	[ICRA]A1+
2 Fund based/non-fund-based facilities	Long term /Short term	175.00	--	[ICRA]AA (Stable)/ [ICRA]A1+	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-fund based working capital facilities	Very Simple
Long Term/Short term – Fund based/Non-fund-based facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Non-fund based working capital facilities	FY2021	NA	NA	151.00	[ICRA]A1+
NA	Long Term/Short term – Fund based/Non-fund-based facilities	FY2021	NA	NA	175.00	[ICRA]AA (Stable) / [ICRA]A1+

Source: Company; Note: Amounts in Rs. crore;

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	BBIL Ownership	Consolidation Approach
Chiron Behring Vaccines Private Limited	100.00%	Full Consolidation

Source: Company annual report FY2023

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