

**Press Release**  
**Balpharma Limited**

April 24, 2023



**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.50	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	78.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	8.50	-	ACUITE A3   Assigned
Bank Loan Ratings	27.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	135.00	-	-

**Rating Rationale**

**Erratum:** In the original PR dated April 21, 2023, the estimated figures for FY 2023 were mentioned which has been removed in this version.

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 105 Cr bank facilities of Balpharma Limited (BAL).

Also, Acuite has assigned its long term rating of **ACUITE BBB-** (read as **ACUITE triple B minus**) and the short term rating of **ACUITE A3** (read as **ACUITE A three**) on the Rs 30 Cr bank facilities of BalPharma Limited (BAL).

The outlook remains '**Stable**'.

**Rationale for reaffirmation**

The ratings reaffirmation reflect the healthy business profile of the group supported by its long operational track record and its diversified revenue profile along with consistent stable growth in revenue. In addition, the group caters to both regulated and semi-regulated markets such as European and African nations. The ratings also factor in group's moderate financial risk profile marked by its modest network and moderate capital structure. However, the above mentioned rating strengths are partially offset by the company's working capital intensive nature of operations and regulatory risk.

**About the Company**

The company was incorporated in 1987 by the Bangalore based Siroya family. The company is engaged in manufacturing of bulk drugs, generic formulations and Ayurvedic products. The company has 5 operational production units in Bangalore, Pune, Rudrapur and Udaipur. Presently the company is managed by Mr. Shailesh Siroya. The company generates 70 percent of its revenue from overseas markets and remaining 30 percent from domestic market.

**Analytical Approach**

Acuite has consolidated the business and financial risk profiles of BALPharma Limited, Lifezen

Healthcare Private Limited(LHPL), Bal Research Foundation(BRF), Balance Clinic LLP(BCL) and Golden drugs Private Limited (GDPL) together referred to as the BAL group to arrive at the rating. The consolidation is in view of the similarities in the lines of business and common management. In addition LHPL, BRF, BCL and GDPL are subsidiaries of BAL.

**Extent of Consolidation:** Full

## Key Rating Drivers

### Strengths

#### Established track record of operations

BalPharma Limited (BAL) has an established track record of more than 35 years in the business of manufacturing of bulk drugs and formulations. The company has business segments namely API & formulation with 57% & 43% contribution to revenue In FY 2022. Moreover the group has a diversified product profile that includes 200 generic formulations in 20 different therapeutic segments and 20+ APIs. The group caters to both regulated and semi-regulated markets. Currently the group has presence in 80 countries which includes India, UK, Australia, European nations and Ethiopia among others. The group has five operational manufacturing units across India in Bangalore, Rudrapur, Sangli and Udaipur. In addition, the company's facilities have received approvals from various International regulatory authorities such as India, EU GMP, WHO GMP Malta, MCAZ Zimbabwe TFDA Tanzania, PPB Kenya, NAFDAC Nigeria, SBDMA Yemen, NDA Uganda, FDHACA Ethiopia, PMPB Malawi, FDA Phillipines and MOH Sudan etc. among others. BAL has qualified under GOI's production linked incentive scheme (PLI).

Acuite believes that BAL will continue to benefit from its established track record of operations and diversified business segment over the medium term.

#### Moderate financial risk profile

The financial risk profile of the company remained moderate marked by moderate net worth, moderate debt protection metrics and moderate gearing ratio. The net worth of Bal pharma stood at Rs. 46.67 Cr as on FY22 as against Rs. 42.28 Cr as on FY21. The increase in networth is majorly due to accretion of profit to the reserves. The gearing level (debt-equity) stood at 2.22 times as on FY22 as against 2.60 times as on FY21. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 4.33 times in FY22 as against 4.42 times in FY21. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR) of 2.67 times for FY22 as against 2.12 times for FY21. Debt service coverage ratio (DSCR) stood at 1.59 times in FY22 as compared with 1.48 times in FY21.

Acuite believes that financial risk profile of the company may continue to remain moderate over the medium term with no major debt-funded capex plans.

#### Improvement in scale of operation and profitability margin

Operating Income for the FY22 stood at Rs. 283.86 crore as against Rs.251.14 crore for FY21. The improvement is driven by rise in demand from overseas markets as the domestic sales consist of Rs 84.77 Cr & exports consists of Rs 194.07 Cr for FY22. Further till Q3FY23 domestic sales consist of Rs 67.80 Cr & exports consist of Rs 151.83 Cr. Further, EBITDA Margin for the FY22 stood at 9.62% as against 10.06% in FY21. The Profit after tax margins (PAT) stood at 2.01% in FY22 from 1.88% in FY21.

Acuite believes that maintaining consistent growth in revenue while maintaining its profitability margin is a key rating sensitivity.

### Weaknesses

#### Working capital intensive operations.

The operations of the company are working capital intensive in nature marked by GCA Days of 231 days in the FY22 as against 234 days in FY21. The receivables days stood at 98 days in both FY22 & FY21 which is in line with the credit period allowed of 70-90 days. The inventory holding days stood at 106 days in FY22 as against 98 days in FY21. The company is generally need to maintain an inventory of 90 days as they are having high dependence on imports for raw material procurement. The creditor days of the company stood at 143 days in FY22 as

against 114 days in FY21. The creditor days are higher as it include the LC related procurement which generally has a tenure of 120 days and credit period allowed by other purchases is also around 90-120 days.

Acuité believes that the operations of the group may continue to remain working capital intensive because of high inventory level to be maintained and higher credit period allowed.

### Regulatory Risk

Pharma Industry is highly competitive and regulated in nature as government intervention is very high. Moreover the manufacturing facilities of group have to be regularly monitored and approved by various regulatory authorities across the globe. Hence any prohibitions or restriction imposed by regulatory authorities on the manufacturing facilities in future can significantly affect operation of the group.

### Rating Sensitivities

Further Elongation in working capital cycle

Increase in revenue growth while maintaining profitability margins

### Material covenants

None

### Liquidity Position

#### Adequate

Liquidity of Bal pharma is adequate as the cash accruals generated of Rs. 14.74 Cr in FY22 against the maturing debt obligation of Rs 5.27 Cr during the same period. Further, the company is expected to generate a net cash accruals in the range of Rs 14Cr -19.8 Cr in near to medium term against the maturing debt obligation of Rs 7.47 Cr- Rs 9.20 Cr during the same tenure. The current ratio stood at 1.08 times in FY22. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.14 times in FY22 as against 0.13 times in FY21. The average bank limit utilization for fund based limits is 85% & for non- fund based limits is 53% for 12 month ended February 2023.

Acuité believes the group may continue to maintain adequate liquidity position over the medium term on account of steady accruals.

### Outlook: Stable

Acuité believes the outlook on group will remain 'Stable' over the medium term backed by its experienced management and average financial risk profile. The outlook may be revised to 'Positive' if the group is able to improve its scale of operations significantly along with sustained improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in working capital operations leading to stretch in liquidity profile or financial risk profile.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	283.86	251.14
PAT	Rs. Cr.	5.70	4.71
PAT Margin	(%)	2.01	1.88
Total Debt/Tangible Net Worth	Times	2.22	2.60
PBDIT/Interest	Times	2.67	2.12

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Feb 2022	Term Loan	Long Term	3.22	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.16	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	21.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	10.12	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Assigned)
	Packing Credit	Long Term	5.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A3   Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A3   Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.50	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.72	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.28	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BBB-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3   Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A3   Assigned
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.16	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.33	ACUITE BBB-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.26	ACUITE BBB-   Stable   Reaffirmed
TATA								ACUITE

Capital Financial Service Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.36	BBB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.39	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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