Bliss GVS Pharma Limited (Bliss GVS)

December 18, 2020

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	60.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Re-affirmed
Long Term Bank Facilities – Cash Credit	10.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Re-affirmed
Short Term Bank Facilities – Bill Discounting	40.00	IVR A3 (IVR A Three)	Re-affirmed
Short Term Bank Facilities – Letter of Credit	15.00	IVR A3 (IVR A Three)	Re-affirmed
Short Term Fund Based Facility – Bill Discounting	10.00	IVR A3 (IVR A Three)	Assigned
Short Term Fund Based Facility – PCFC	10.00	IVR A3 (IVR A Three)	Assigned
Short Term Non Fund Based Facility – Letter of Credit/Bank Guarantee	11.00	IVR A3 (IVR A Three)	Assigned
(Proposed) Short Term Non Fund Based Facility – Letter of Credit/Bank Guarantee	4.00	IVR A3 (IVR A Three)	Assigned
Total	**160.00 (One Hundred and Sixty)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Bliss GVS Pharma Limited factors Long Operational Track Record; Experienced Management, Established Market Position and Robust Financial Risk Profile. However, rating is constrained owing to Working Capital Intensive Nature of Operations, Vulnerability to Change in Government/Regulatory Policies & Volatility in Raw Material Prices, Product & Geographical Concentration and Foreign Exchange Fluctuation Risk.

Key Rating Sensitivities:

Upward Factors

- Rating could be upgraded if there is 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 GVS has an operating record of over 35 years and the promoter, Mr S. N. Kamath, have more than three decades of experience in the pharmaceutical industry. This has enabled Company to establish strong relationships with various counterparties including suppliers and customers.

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 GVS 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. 442 crores in FY2020 (Rs. 426.5 crores in FY2019) and EBITDA and PAT margins were at 22.66% & 19.36% respectively. The debt protection metrics is comfortable with Total Outside Liabilities to Tangible Networth at 0.26x and overall gearing ratio at 0.14x. The Interest Service Coverage ratio is comfortable at 25.80x as of 31st March 2020.

Key Rating Weaknesses

Working Capital Intensive Nature of Operations

Gross current assets were at 376 days as on March 31, 2020, 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).

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 85% of revenue comes from African countries, with concentration in revenue from top 3 customers being more than 50%, 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 2020, the company had unhedged FCY exposure of INR 171.99 crores. In case of a 5% increase in the USD/INR currency the estimated total impact on the profit & loss would be about INR 8.5 crores. 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)

<u>Liquidity</u> – Adequate

Cash accruals are expected to be around Rs 100-130 crore per annum over the medium term which will be adequate to meet debt obligations and working capital requirement. Working Capital limits were utilised 62% on an average over the 12 months through September 2020. The group had reported cash and bank balance of Rs 86.62 crore as on March 31, 2020.

<u>About the Company</u>

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	31-03-2018	31-03-2019	31-03-2020
	(Audited)	(Audited)	(Audited)
Total Operating Income	297.89	426.59	441.95
EBITDA	88.47	93.10	100.17
PAT	57.01	74.43	92.33
Total Debt	93.84	71.69	91.04
Adjusted Tangible Net-Worth	522.67	584.55	664.06
Ratios			
EBITDA Margin (%)	29.70	21.82	22.66
PAT Margin (%)	18.46	16.10	19.36
Overall Gearing Ratio (x)	0.17	0.12	0.13

***** Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities – Term Loan	Long Term	60.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable (October 26, 2020)	--	--
2.	Long Term Bank Facilities – Cash Credit	Long Term	10.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable (October 26, 2020)	--	--
3.	Short Term Bank Facilities – Bill Discounting	Short Term	40.00	IVR A3	IVR A3 (October 26, 2020)	--	--
4.	Short Term Bank Facilities – Letter of Credit	Short Term	15.00	IVR A3	IVR A3 (October 26, 2020)	--	--
5.	Short Term Bank Facilities – Bill Discounting	Short Term	10.00	IVR A3			
6.	Short Term Facility - Fund Based - PCFC	Short Term	10.00	IVR A3			
7.	Short Term Bank Facilities – Letter	Short Term	11.00	IVR A3			

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
	of Credit/Bank Guarantee						
8.	Proposed Short Term Bank Facilities – Letter of Credit/Bank Guarantee	Short Term	4.00	IVR A3			

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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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Term Loan	60.00	June 2025	IVR BBB-/ Stable Outlook
Long Term Fund Based Facility – Cash Credit	10.00	N/A	IVR BBB-/ Stable Outlook
Short Term Fund Based – Bills Discounting	50.00	N/A	IVR A3
Short Term Fund Based Facility – PCFC	10.00	N/A	IVR A3
Short Term Non-Fund Based Facility – Letter of Credit/Bank Guarantee	26.00	N/A	IVR A3
(Proposed) Short Term Non-Fund Based Facility – Letter of Credit/Bank Guarantee	4.00	N/A	IVR A3