

Rating Advisory

February 03, 2020 | Mumbai

Advisory as on February 03, 2020

This rating advisory is provided in relation to the rating of Beta Drugs Limited.

CRISIL vide its publication dated January 31, 2020 highlighted the aspect of non-co-operation by Beta Drugs Limited.

Beta Drugs Limited has now initiated cooperation, has confirmed timeliness in debt servicing for January 2020 and has also provided 'No Default Statement' dated February 03, 2020.

You may access the Rating Rationale as appended below.

Rating Rationale

May 30, 2019 | Mumbai

Beta Drugs Limited

'CRISIL BB+/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.8 Crore
Long Term Rating	CRISIL BB+/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB+/Stable**' rating to the long-term bank facilities of Beta Drugs Limited (BDL).

The rating reflects the extensive experience of the promoter in the pharmaceutical industry, and BDL's reputed and diversified clientele, above-average financial risk profile, and sound operating efficiencies. The strengths are partially offset by modest scale of operations and intense competitive pressure, large working capital requirement, and exposure to the risk of unfavourable regulatory changes.

Key Rating Drivers & Detailed Description

Strengths

*** Extensive experience of the promoter and diversified clientele**

Benefits from the promoter's experience of more than two decades and his strong understanding of local market dynamics, and healthy relationships with customers and suppliers should continue to support the business. Customers mainly include renowned pharmaceutical companies such as Zydus Healthcare Limited, Intas Biopharmaceuticals Ltd, Torrent Pharmaceuticals Limited, Cadila Healthcare Limited, and Hetero Drugs Limited.

*** Above-average financial risk profile**

Financial risk profile is above average. Due to low reliance on external funds, gearing and total outside liabilities to tangible networth ratios were low at 0.23 time and 0.51 time, respectively, as on March 31, 2018. Networth was healthy at Rs 32.88 crore, supported by an initial public offering (IPO) raised in September 2017 and moderate accretion to reserve. Debt protection metrics were comfortable because of healthy profitability: net cash accrual to total debt and interest coverage ratios were 9.56 times and 1.31 times, respectively, in fiscal 2018. The metrics are likely to remain healthy over the medium term.

*** Sound operating efficiencies**

Operating efficiencies are healthy and should remain so over the medium term because of high economies of scale and experienced management. Operating margin and return on capital employed were 18.88% and 28.60%, respectively, in fiscal 2018.

Weaknesses

*** Modest scale of operations and intense competitive pressure**

Intense competition continues to constrain scalability: revenue was modest at Rs 50.22 crore in fiscal 2018. Although revenue grew 23% year-on-year in fiscal 2018 and is expected to improve over the medium term, backed by higher demand and expansion in the export market, scale should remain modest. Revenue was around Rs 45 crore in the nine months through December 2018 and is expected at around Rs 60 crore for the full fiscal. Furthermore, around 25% of the products are manufactured under own brand (Adley) and the remaining 75% under other companies' brand names; this limits bargaining power.

*** Large working capital requirement**

Operations are working capital intensive and should remain so over the medium term: gross current assets were around 228 days as on March 31, 2018, driven, in turn, by inventory and debtors of 25 and 105 days, respectively. Credit extended to customers is moderately high. Creditors of 60-90 days relieves some of the pressure on working capital.

*** Exposure to regulatory risks and raw material price volatility**

The pharmaceutical industry is a closely monitored and regulated industry, and as such, there are inherent risks and liabilities associated with the products and their manufacturing. Furthermore, the price of key raw material (active pharmaceuticals ingredients) is volatile in nature. Therefore, susceptibility to the risk of variations in commodity price persists.

Liquidity

Liquidity should remain adequate over the medium term, despite working capital-intensive operations. Net cash accrual, expected at Rs 9.0-11.0 crore in fiscal 2019, should comfortably cover debt obligation of Rs 1.30 crore. Utilisation of bank limit averaged 52% in the 12 months through January 2019. Current ratio was 2.51 times as on March 31, 2018, and is expected to remain high over the medium term. The ongoing large capital expenditure is being funded through an IPO.

Outlook: Stable

CRISIL believes BDL will continue to benefit from its promoter's extensive experience and established relationships with clients. The outlook may be revised to 'Positive' if ramp-up in revenue and stable profitability strengthen financial risk profile. The outlook may be revised to 'Negative' if a decline in profitability, stretch in working capital cycle, or any large debt-funded capital expenditure weakens capital structure.

About the Company

Incorporated in 2005, BDL manufactures oncology products: anti-cancer tablets, capsules, and injections (including the lyophilised variant). The manufacturing facility is in Solan (Himachal Pradesh). Mr Vijay Batra is the promoter.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	50.22	40.87
Profit after tax (PAT)	Rs crore	7.96	4.27
PAT margin	%	15.85	10.45
Adjusted debt/adjusted networkth	Times	0.23	1.35
Interest coverage	Times	9.56	8.90

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs cr)	Rating assigned With outlook
NA	Cash Credit	NA	NA	NA	5.0	CRISIL BB+/Stable
NA	Term Loan	NA	NA	Jan-2025	3.0	CRISIL BB+/Stable

Annexure - Rating History for last 3 Years

		Current		2019 (History)		2018		2017		2016		Start of 2016
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	8.00	CRISIL BB+/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	5	CRISIL BB+/Stable	--	0	--
Term Loan	3	CRISIL BB+/Stable	--	0	--
Total	8	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for the Pharmaceutical Industry](#)

[CRISILs Bank Loan Ratings](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Aditya Sarda Director - CRISIL Ratings CRISIL Limited B: +91 124 672 2000 aditya.sarda@crisil.com</p> <p>Jaya Mirpuri Associate Director - CRISIL Ratings CRISIL Limited D: +91 20 4018 1926 jaya.mirpuri@crisil.com</p> <p>Dipesh Mandal Rating Analyst - CRISIL Ratings CRISIL Limited D: +91 124 672 2115 Dipesh.Mandal@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way. CRISIL or its associates may have other commercial transactions with the company/entity.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities

or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL