

## Rating Advisory

August 26, 2019 | Mumbai

### Bliss GVS Pharma Limited

#### Advisory as on August 26, 2019

This rating advisory is provided in relation to the rating of Bliss GVS Pharma Limited

The key rating sensitivity factors for the rating include:

- Capital expenditure plan and its funding
- Investments or divestments in existing business or other avenues
- Working capital management
- Increase in scale of operations while maintaining profitability

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Bliss GVS Pharma Ltd (Bliss) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If Bliss continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the group

Incorporated in 1984 and promoted by Mr S N Kamath and Mr Gautam Ashra, Bliss develops and manufactures pharmaceutical formulations mainly for sale in the African countries. The company sells formulations in the form of suppositories, pessaries, capsules, tablets, and syrups. At present, it manufactures more than 250 branded formulations in the anti-malarial, anti-fungal, anti-bacterial, anti-biotic, anti-inflammatory, contraceptive, and anti-diabetic segments. Bliss also contract-manufactures suppositories and pessaries for Sanofi, Sun Pharma, Mankind, and Alkem. However, these clients do not have rights for exporting the products. The company has four subsidiaries i.e., Bliss GVS Healthcare Pte. Ltd., Kremoint Pharma Private Limited, Asterisk Lifesciences Limited, Bliss GVS International Pte. Ltd. and three step-down subsidiaries.

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## Rating Rationale

August 06, 2018 | Mumbai

### Bliss GVS Pharma Limited

*Ratings removed from 'Watch developing'; Ratings Reaffirmed*

#### Rating Action

Total Bank Loan Facilities Rated	Rs.84 Crore
Long Term Rating	CRISIL BBB/Stable (Removed from 'Rating Watch with Developing Implications'; Rating reaffirmed)
Short Term Rating	CRISIL A3+ (Removed from 'Rating Watch with Developing Implications'; Rating reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has removed its ratings on the bank facilities of Bliss GVS Pharma Limited (Bliss; part of the Bliss group) from 'Watch with Developing Implications', and has reaffirmed the ratings at '**CRISIL BBB/CRISIL A3+**', while assigning a '**Stable**' outlook.

CRISIL had, on January 31, 2018, placed the ratings on watch following the announcement of stake sale in step down subsidiary Bliss GVS Healthcare Ltd, Kenya (BGHL; contributed ~46% of the consolidated turnover in fiscal 2017). The group had entered into a definitive agreement with Mayfair Healthcare Holdings Ltd for sale of 51% shares of BGHL, for a consideration of ~ Rs 78 crore.

Furthermore, Kremoint Pharma Pvt Ltd, a 70% subsidiary of Bliss, has acquired 60% stake in Eco-Rich Cosmetic India Pvt Ltd as per the announcement on April 20, 2018, with purchase consideration estimated at around Rs 70 lakh. The watch was extended on May 04, 2018, pending clarity on the Bliss group's business strategy, investment plans and capital structure over the medium term, after the divestment in BGHL.

The watch resolution and reaffirmation of ratings reflect CRISIL's belief that the Bliss group will use the proceeds from sale of stake in BGHL largely towards paring down debt. The management has plans towards augmenting its manufacturing capacities in India, however, CRISIL expect the same to be significantly funded out of internal accruals thereby keeping its reliance on external debt low. Further, with an intention of augmenting its scale of business, the company has started trading in active pharmaceutical ingredients through its Singapore subsidiary, Bliss GVS Clinic Healthcare Pte Ltd in African markets. CRISIL believes the company's extensive experience in African continent will help in establishing its trading business without significant working capital intensity. Further, the group will also benefit from improved liquidity on the back of proceeds received from the divestment of BGHL.

The ratings continue to reflect the extensive experience of the Bliss group's promoters in the pharmaceuticals industry, established brand portfolio in the African markets, and healthy financial risk profile because of large network, comfortable debt protection metrics, and adequate liquidity. The strengths are partially offset by working capital-intensive operations and exposure to risks related to geographical concentration in revenue.

#### Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of Bliss and its subsidiaries, together referred to as the Bliss group, because all these entities are in the same business, and have common promoters and strong operational and financial links.

## Key Rating Drivers & Detailed Description

### Strengths

\* **Extensive experience of promoters and established brand:** Three-decade long experience of the group's promoters in the pharmaceutical industry has helped them to develop brands in the African market in various therapeutic segments, and establish healthy relationship with distributors, thereby improving business risk profile. *P-Alaxin, Lonart, Funbact, and Lofnac* are some of the group's established brands in the anti-malarial, dermatology, and anti-inflammatory segments. Also, the Bliss group is one of the leaders in manufacturing suppositories and pessaries dosage forms, which are expected to generate stable revenue over the medium term.

\* **Healthy financial risk profile:** Networth increased to Rs 537.6 crore as on March 31, 2018, from Rs 498.97 crore in the previous year on account of ramp up in operations; while operating margin remained steady at around 24%. Total outside liabilities to adjusted networth ratio was strong at 0.58 time as on March 31, 2018. Debt protection metrics also remained comfortable, with interest coverage ratio of 10.44 times during fiscal 2018. Fund inflow from stake sale in BGHL and incremental cash accrual are expected to improve liquidity over the medium term.

### Weakness

\* **Working capital-intensive operations:** Gross current assets were 308 days as on March 31, 2018, because of stretched receivables of 134 days. Exports have a transit period of 90-100 days as well as the company offers a credit period in the range of 3-4 months to the customers. CRISIL expects the group's operations to continue to be working capital intensive over the medium term.

\* **Exposure to geographical concentration in revenue:** Around 85% of total revenue comes from African countries, which exposes performance to regulatory and other policy changes. The exposure to the African region is expected to remain at similar levels with API trading business also focused towards the same region.

### Outlook: Stable

CRISIL believes Bliss group would continue to benefit from extensive experience of its promoters in pharmaceutical industry, established brand portfolio in African region and swift ramp up in the API trading business coupled with healthy financial risk profile supported by sufficient liquidity. The outlook may be revised to 'Positive' in case of sustained and substantial improvement in the group's working capital cycle along with geographical diversity and scale while maintaining its profitability. The outlook may be revised to 'Negative' if decline in scale of operations or profitability leads to lower-than-expected cash accrual, or if capital structure weakens because of further stretch in working capital cycle or sizeable debt-funded capital expenditure.

## About the Group

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## Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs. Cr.	815.10	799.8
Profit After Tax (PAT)	Rs. Cr.	88.6	116.3
PAT Margins	%	10.9	14.5
Adj. Debt/Adj. Net worth	Times	0.20	0.52
Interest coverage	Times	10.4	11.0

Any other information: Not applicable

**Note on complexity levels of the rated instrument:**

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## 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	Bill Discounting	NA	NA	NA	50	CRISIL BBB/Stable
NA	Cash Credit	NA	NA	NA	10	CRISIL BBB/Stable
NA	Inland/Import Letter of Credit	NA	NA	NA	14	CRISIL A3+
NA	Long Term Loan	NA	NA	Mar-19	10	CRISIL BBB/Stable

## Annexure - Rating History for last 3 Years

		Current		2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	70.00	CRISIL BBB/Stable	04-05-18	CRISIL BBB/Watch Developing			05-10-16	CRISIL BBB/Stable/CRISIL A3+		--	--
				31-01-18	CRISIL BBB/Watch Developing							
Non Fund-based Bank Facilities	LT/ST	14.00	CRISIL A3+	04-05-18	CRISIL A3+/Watch Developing			05-10-16	CRISIL A3+		--	--
				31-01-18	CRISIL A3+/Watch Developing							

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
Bill Discounting	50	CRISIL BBB/Stable	Bill Discounting	40	CRISIL BBB/Watch Developing
Cash Credit	10	CRISIL BBB/Stable	Cash Credit	20	CRISIL BBB/Watch Developing
Inland/Import Letter of Credit	14	CRISIL A3+	Letter of Credit	8.5	CRISIL A3+/Watch Developing
Long Term Loan	10	CRISIL BBB/Stable	Long Term Loan	15.5	CRISIL BBB/Watch Developing
Total	84	--	Total	84	--

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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

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