

OCTOBER 20, 2015

**CARE REVISES LT RATING AND REAFFIRMS ST RATING ASSIGNED TO THE BANK FACILITIES; AND
ASSIGNS PROVISIONAL 'CARE A1+ (SO)' RATING TO THE PROPOSED CP ISSUE OF
MERIL LIFE SCIENCES PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long term/Short term Bank Facilities	84.00	CARE AA-(SO) / CARE A1+(SO) [Double A Minus (Structured Obligation) / A One Plus (Structured Obligation)]	Revised from CARE A+(SO) / CARE A1+(SO) [Single A Plus (Structured Obligation)/ A One Plus (Structured Obligation)]
Short term Bank Facilities	16.00	CARE A1+ (SO) [A One Plus (Structured Obligation)]	Reaffirmed
Total Facilities	# 100.00 (Rupees One Hundred Crore Only)		
Proposed Commercial Paper (CP) issue	* 25.00	Provisional CARE A1+ (SO) [Provisional A One Plus (Structured Obligation)]	Assigned
Total Instruments	25.00 (Rupees Twenty Five Crore Only)		

#Bank Facilities are backed by unconditional and irrevocable corporate guarantee extended by Bilakhia Holdings Private Limited (BHPL)

*The 'provisional' rating for the proposed CP issue of Meril Life Sciences Private Limited (Meril Life) is based on the proposed credit enhancement in the form of an unconditional and irrevocable corporate guarantee to be extended by its ultimate holding company BHPL to the Issuer and Paying Agent (IPA). Further, the proposed CP issue would be carved out of the sanctioned working capital limits of Meril Life.

Rating Rationale

The above ratings are based on the credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by Bilakhia Holdings Private Limited (BHPL) for the bank facilities/instrument of Meril Life Sciences Private Limited (CIN: U24239GJ2007PTC051137; Meril Life).

The revision in the long term rating factors improvement in the credit profile of BHPL due to growth in its Total Operating Income (TOI) and improvement in its debt coverage indicators during FY15 (refers to the period April 1 to March 31) on the back of healthy gain from sale of part of its liquid investments coupled with growth in sales of its health care business (primarily coronary stent) under its subsidiaries. While the TOI of BHPL grew by 79% to Rs.634 crore in FY15, its PBIT interest coverage was robust at 6.59x during the year. The credit profile of BHPL has also gained strength from the high degree of financial flexibility it enjoys due to its comfortable leverage and ample liquidity cover. As on March 31, 2015 its overall gearing stood at 0.11x; while the book value of its unencumbered cash and liquid investments stood at Rs.677 crore (the market value being significantly higher) as against total debt on the books of BHPL (Consolidated) of Rs.250 crore as on even date.

The credit profile of BHPL continues to favourably factor the vast experience and resourcefulness of its promoters i.e. the Bilakhia Group (BG) who are also the erstwhile promoters of companies like Huber Group India Private Limited [erstwhile Micro Inks Limited (MIL) rated: CARE AAA / CARE A1+] and Bayer Vapi Private Limited (erstwhile Bilag Industries Pvt. Ltd.;

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Bilag). The promoters of BG have demonstrated their capability and acumen to handle highly technical and research oriented businesses like printing inks and agro chemicals through MIL and Bilag respectively so as to deliver world class quality products.

The long term credit profile of BHPL, however, continues to remain constrained due to the relatively nascent stage of operations of some of its recently incorporated subsidiaries in its Health Care business and loss incurring operations of its education venture.

BHPL's ability to maintain its comfortable capital structure and strong liquidity while extending requisite support to its various business ventures; along with the quantum and quality of incremental investments made by BHPL other than those envisaged would remain the key rating sensitivities.

Background - Meril Life

Incorporated in June 2007, Meril Life is engaged in the manufacturing of coronary stents and balloon catheters which are used for carrying out angioplasty on patients suffering from Coronary Artery Disease – a cardiovascular ailment which may lead to a heart attack. Meril Life's products are CE marked (mainly required for product to be sold in European Union) and approved by ANVISA (drug regulatory authority of Brazil) and Drug Controller General of India.

On a consolidated level, Meril Life's TOI grew at a healthy rate of 20% Y-o-Y in FY15 on account of growth in business from its overseas market mainly in Europe and South-east Asian countries. During FY15, Meril Life earned 54% of its TOI from exports (FY14: 52%). In the domestic market, Meril Life sells its products through its wholly owned subsidiary, Meril Life Sciences (India) Private Limited (Meril India). Meril Life has also set up marketing subsidiaries in countries like Germany, Turkey and Brazil.

On a consolidated level, Meril Life registered a total operating income of Rs.264.44 crore with a PAT of Rs.16.46 crore in FY15 as compared to a total operating income of Rs.221.83 crore with a PAT of Rs.14.00 crore in FY14.

About the Guarantor – Bilakhia Holdings Private Limited (BHPL)

BHPL is an investment company registered with the Reserve Bank of India (RBI) as a Non-Deposit taking Systematically Important Non-Banking Financial Company (ND-SI NBFC). BHPL is the ultimate holding company of the Bilakhia Group who are the erstwhile promoters of MIL and Bilag. After divesting their stake in these two companies, the group forayed into manufacturing of Health Care products by incorporating Meril Life in 2007. Apart from its Health Care ventures, the group is also involved in diverse businesses like Real Estate investment (mainly land), investments in quoted and unquoted Equity / Mutual Fund, Education, Management consultancy, etc. BHPL's comfortable leverage and large unencumbered cash and liquid investments impart high degree of financial flexibility to the group.

On a consolidated level, BHPL registered a total operating income of Rs.634.46 crore with a PAT of Rs.113.23 crore in FY15 as compared to a total operating income of Rs.354.48 crore with a PAT of Rs.4.26 crore in FY14.

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