Plasmagen Biosciences Private Limited

April 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	225.00 (Enhanced from 198.00)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	20.00 (Enhanced from 2.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Plasmagen Biosciences Private Limited (Plasmagen) continue to factor in strong commitment articulated by Eight Road Ventures (ERV; part of Fidelity Investments) to support Plasmagen till the plant reaches optimal utilisation. The company has been able to raise capital from ERV and other investors in timely manner to complete the project and for working capital requirements.

While CARE Ratings Limited (CARE Ratings) positively takes note that the project is completed, and commercial operations have commenced since December 2023, the company is inherently exposed to stabilisation risk and other stringent regulatory tests. The company has completed stability tests for its two-flagship products, Albumin and IVIG, and other plasma protein products in the pipeline are in the technology development phase.

CARE Ratings also considers the procedural delay in operations, leading to less production and minimal revenue contribution from its in-house plasma fractionation plant in the current year. Timely ramp up in operations of the plant and scale up in revenue contribution from in-house plant will be a key rating monitorable.

Ratings are also constrained by stagnant trading revenue level and continued losses reported due to competitive prices offered. However, these weaknesses are partially offset by experienced and resourceful promoters, established market presence of Plasmagen in the niche plasma protein therapy segment through its trading operations, satisfactory capital structure, and stable industry outlook for plasma therapy.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Achieving monthly revenue rate of ₹30 crores from manufacturing, while maintaining profit before interest, lease rentals, depreciation, and taxes (PBDIT) margin above 18%.

Negative factors

- Slowing down commercial production, leading to significantly declining revenue.
- Withdrawal of support from investors.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company can ramp up operations of fractionation plant within envisaged timelines and that investors would be willing to support in case of delays.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters

The company is promoted by Vinod Nahar and Rahul Jain with an experience of more than two decades in pharmaceutical sector. In March 2017, the company entered a Non-Binding Term Sheet for an aggregate investment of ₹100 crores from Fidelity Group - Eight Roads Ventures India and US Based F-Prime Capital Partners. The investment amount increased further, as ERV investors participated in all four rounds of Series A, B, C and D. Eight road ventures is the venture capital arm of Fidelity International, which has invested ~₹225 crore in multiple tranches of Series A, Series B, Series C And Series D between July 2017-December 2023. The fund has an overall experience of almost five decades, with a total Asset under Management of ~US$12.00 billion

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

invested in more than three hundred portfolio companies globally. In India alone, allocation is US$1.6 billion spread across 70+ investments.

Established market and supply network
The company markets seven plasma products under its trademarks and sells to hospital and medical practitioners through stockist, distributors, and tenders from state government hospitals across India. The company has presence across 70+ cities and cater to needs of 700+ hospitals and 7,000+ physicians. The company has a dedicated marketing team of ~90 people to market its products to professionals in medical fraternity of specialty and super specialty segments such as neurology, medical oncology, haematology, intensive care, paediatrics, and gynaecology. Having created its market presence through trading operations, would help the company in marketing manufactured products and ramping up operations in shorter time.

Satisfactory capital structure with continued investors support
The company has comfortable capital structure marked by below unity overall gearing at 0.54x as on March 31, 2023 (PY: 0.51x). Healthy overall gearing is primarily due to healthy infusion of capital amounting to ~₹378.0 crore in the last 5-6 years, of which, the company received around ₹225.0 crore from Eight Road Investments Mauritius II Limited, ~₹3.0 crore from promoters and remaining ~₹150 crore from HNI-Angel Investors.

Key weaknesses

Project Stabilisation Risk
The company has set up plasma fractionation unit at Kolar, Karnataka. The project has been completed and commercial operations commenced since December 2023. however, the company is inherently exposed to stabilisation risk. Products manufactured by the company have go through mandatory stability tests. It has completed stability tests for its two-flagship products, Albumin and IVIG. Other Plasma Protein products in the pipeline are in the technology development phase. Once other products are developed, these will also have to go through a similar process of mandatory stability tests for three months as opposed to six for flagship products.

Stable scale of operations despite continued thin margins
The company's revenue remained stable though improved minutely to ₹108.26 crore in FY23 (PY: ₹103.50 crore). In 9MFY24, the total revenue was ₹87.91 crore. The stable turnover in current year is due to procedural delay in production, as products manufactured have to go through mandatory stability tests for six months. However, post stability checks, the company has already started commercial production in small batches, which will gradually ramp up post March 2024.
Due to trading nature, supply side constraints and extension of DCCO of the project, operating profit margins were negative. However, commercial operation of in-house plasma fractionation plant commenced from December 2023 onwards. Operating margins are expected to improve gradually from FY25 with quality and costs in control and increase in scale of operations from huge demand available in the market for Albumin and IVIG.

Liquidity: Adequate
Liquidity is adequate, marked by equity tie-up with investors, which provides sufficient cover to meet repayment obligations in the near term, available working capital credit lines, and free cash and liquid investment of ₹93.53 crore as on December 31, 2023. The company also has lien marked fixed deposit (FD), amounting to ₹7.37 crore for term loan availed from the lender.

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals and biotechnology	Biotechnology

Incorporated in 2010, Plasmagen operates in the niche segment of plasma therapy, where it trades/manufactures human plasma derived therapeutic proteins products such as Immunoglobulin, Albumin and Coagulation factors, used in plasma protein therapy. The company is promoted by Vinod Nahar and Rahul Jain having a shareholding of 20.54% followed by FIL Capital Investments (Mauritius) II Limited (Fidelity group) having 46.31% and 'Artian Capital' having 5.76% as on December 31, 2023. Currently, the company has put a plant for plasma fractionation at Kolar, Karnataka.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (UA)
Total operating income	103.50	108.26	87.91
PBILDT	-2.53	-10.37	-6.41
PAT	-2.94	-11.70	-8.44
Overall gearing (times)	0.51	0.54	0.51
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited NM: Not Meaningful; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of rated instruments/facilities is given in Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	60.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	March 2029	165.00	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	20.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	165.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Mar-23) 2)CARE BBB-; Stable (06-Apr-22)	1)CARE BBB-; Stable (25-Oct-21)	-
2	Fund-based - LT-Cash Credit	LT	60.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Mar-23) 2)CARE BBB-; Stable (06-Apr-22)	1)CARE BBB-; Stable (25-Oct-21)	-
3	Non-fund-based - ST-Letter of credit	ST	20.00	CARE A3	-	1)CARE A3 (03-Mar-23) 2)CARE A3 (06-Apr-22)	1)CARE A3 (25-Oct-21)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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