Bioneeds India Private Limited

March 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	28.36 (Reduced from 38.52)	CARE BBB+; Stable	Upgraded from CARE BBB and removed from Rating Watch with Developing Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has removed the 'Rating Watch with Developing Implications' and upgraded ratings of Bioneeds India Private Limited (BIPL) assigning a 'Stable' outlook. Earlier on April 03, 2024, ratings were placed under watch following a similar action for its parent company, Veeda Clinical Research Limited (VCRL, rated CARE A-; Stable / CARE A2+). VCRL's ratings were placed on rating watch ensuing an announcement of VCRL acquiring a Europe based privately held entity specialising in conducting clinical trials in the oncology domain. The removal of rating watch in VCRL and BIPL follows successful completion of VCRL's debt-funded acquisition of Ireland based Health Data Specialist Holding Limited ("Heads") and resultant synergy derived from this acquisition.

Revision in ratings of BIPL factors in consistent healthy operating profitability and improvement in capital structure supported by augmentation of networth base. CARE Ratings also notes acquisition of additional stake in BIPL by VCRL increasing its holding to 91% as on March 31, 2024 (87% as on March 31, 2023).

Ratings assigned to bank facilities of BIPL continue to derive strength from its resourceful parent – VCRL – which has strong presence in the clinical research domain, established track record of BIPL in pre-clinical research, geographically diversified revenue profile, established relationship with reputed and diversified customer base and adequate liquidity.

However, ratings continue to remain constrained considering BIPL's moderate scale of operations, moderate debt coverage indicators, exposure to regulatory risk, increasing competition in the clinical research industry, and susceptibility of its profitability to foreign exchange fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Improvement in credit profile of parent, VCRL.
- Sustainable improvement in scale of operations with total operating income (TOI) above ₹200 crore while maintaining profit before interest, lease, depreciation and tax (PBILDT) margin over 35%.

Negative Factors

- Deterioration in the credit profile of VCRL.
- Deterioration in capital structure with overall gearing above 1.50x.

Analytical approach: Standalone along with factoring in parentage of VCRL from which it derives managerial, operational and financial support.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation that the company shall continue to benefit from the extensive experience of its parent, VCRL and established track record of BIPL in the pre-clinical research domain.

Detailed description of key rating drivers

Key Strengths

Healthy profitability

BIPL's profitability margin has improved and remained healthy over the last three years in the range of 33-40%. BIPL reported a healthy PBILDT margin of 38.34% in FY24 compared to 40.45% in FY23. The profitability improved in last two years on the back of higher number of longer duration studies undertaken by the company. With increased profitability, gross cash accrual (GCA) remained healthy at ₹28.64 crore in FY24 (FY23: ₹31.83 crore). In 9MFY25, BIPL reported PBILDT margin of 34.57% and going forward, CARE Ratings expects BIPL to continue operating at healthy profitability, considering its focus on longer duration and higher margin toxicology studies.

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

Improved but moderately leveraged capital structure with moderate debt coverage indicators

The company's overall gearing improved from 1.16x as on March 31, 2023, to 0.98x as on March 31, 2024, on the back of healthy accretion of profits to the net-worth base. VCRL has subscribed to optionally convertible redeemable preference shares (OCRPS) of BIPL amounting ₹23.33 crore, which has been considered as part of the net worth. Total outside liabilities to tangible net worth (TOL/TNW) also stood moderate at 1.83x as on March 31, 2024. This was on the back of customer advances it received for conducting studies. Going forward, CARE Ratings expects improvement in capital structure with no major debt planned to be availed in BIPL. Debt coverage indictors also remained moderate marked by PBILDT/interest coverage and TD/GCA of 4.85x and 2.47x, respectively, in FY24. The PBILDT interest coverage improved to 5.22x in 9MFY25.

Experienced management team

BIPL's management team consists of Dr SN Vinay Babu, founder and managing director, having over 15 years of experience in the preclinical research development domain. He is also on VCRL's board. Dr Nitin M Shetty, chief technical officer-preclinical services, has over 30 years' pharmaceutical industry experience in drug discovery and development in research and development (R&D) and CRO in India. BIPL's board of directors is well-diversified with total six directors, including a nominee director from VCRL and its group CFO, Nirmal Bhatia.

Resourceful parent and strong operational synergies

VCRL is a full service independent Indian clinical CRO. Its facilities have been inspected by regulatory authorities such as the US Food and Drug Administration (USFDA), Medicines and Healthcare products Regulatory Agency (MHRA, UK), World Health Organisation (WHO), The National Health Surveillance Agency of Brazil (ANVISA), Drugs Controller General of India (DCGI), European Medicine Agency (EMA), among others.

On a standalone basis, VCRL had a strong net worth base of ~₹880 crore with healthy liquid investments and cash and bank balance of ~₹62.23 crore as on March 31, 2024. VCRL increased its equity stake in BIPL from 87% to 91% as on March 31, 2024, and has also acquired 100% equity stake in Health Data Specialist Holding Limited ("Heads") in March 2024. VCRL has also invested ₹23.33 crore in optionally convertible redeemable preference shares (OCRPS) of BIPL. Thus, CARE Ratings notes with the complementing set of services offered by VCRL, BIPL and Heads, the group has strengthened its position in the CRO value chain.

Established track record with geographically diversified revenue profile and diversified and reputed customer base

BIPL has a fully-equipped pre-clinical research facility with capacity of 127 animal rooms in Devarahosahally, Karnataka. It also had a biopharma lab in Peenya, Karnataka, which was acquired by VCRL in FY24. BIPL enjoys long and established relationship with most customers, including major reputed Indian and international players.

BIPL has a wide geographical presence with its customer base across China, Denmark, Germany, Malaysia, Singapore, Japan, Spain, Sweden, and Switzerland, among other countries. For expanding operations, BIPL has also been actively adding established and reputed clientele, helping it expand its customer base, which remained diverse. Top 10 customers contributed ~30% of the total net sales in FY24 and 31% in 9MFY25.

The company has Indian and global accreditations, and its facilities are regularly audited by regulatory bodies across the globe. BIPL has also obtained the license from regulatory authorities for conducting non-terminal preclinical trials on dogs and has built a new facility exclusively designed for the same. Over the years, the company's export presence grew and remained at 81% of its total net sales in FY24 and 80% in 9MFY25.

Key weaknesses

Moderate scale of operations

BIPL's TOI remained stable at ₹115.71 crore in FY24 compared to ₹114.25 crore in FY23. In FY24, the contribution from agro chemicals segment has improved against decline in medical devices segment. For 9MFY25, BIPL reported TOI of ₹93.70 against ₹83.71 crore in 9MFY24, growing year-over-year (y-o-y) by ~11%.

Exposure to high regulatory risk

The CRO industry is subject to regulatory and reputation risk associated with the type of studies. The regulatory landscape is complex and evolving continuously. Companies need to stringently follow a multitude of regulatory requirements and guidelines, which varies significantly across regions and countries. Preclinical CROs typically use animals such as rats, mice, guineapigs, rabbits, canines, bovines, or non-human primates in testing drugs, medical devices or chemicals for checking safety profiles. Worldwide, several countries have banned or restricted certain animal testing for certain drugs, presenting significant regulatory risk. Adverse changes in regulations can impact the company's operations.

Increasing competition in CRO industry with challenging environment and exposure to foreign currency fluctuations

The growth of the Indian CRO industry will be driven by increased outsourcing from international pharmaceutical companies. Cost pressures faced by international companies are creating the need for pharmaceutical companies to implement cost-cutting measures across operations, including drug development costs. The preclinical CRO market is highly competitive, with the presence of large established multinationals companies with small but specialised service providers. Large pharmaceutical players have their own CROs, further intensifying competition. Market consolidation through mergers and acquisitions (M&As) is also creating large integrated service providers, which may impact smaller CROs as they need to evolve in the changing technological landscape to provide unique value propositions. BIPL is a net exporter; however, it does not have an active hedging policy, thus making its profitability susceptible to volatile foreign exchange fluctuation risk.

Liquidity: Adequate

BIPL had adequate liquidity, characterised by expected GCA of ₹30-42 crore compared to debt repayment obligations of ~₹4-14 crore in next three years ended FY27. The average working capital limits utilisation remained moderate of 77% in the last 12 months ended December 2024. The company has consistently reported positive cashflow from operations in the last three years which improved to ₹35.47 crore in FY24 against ₹29.67 crore in FY23. It had a cash and bank balance of ₹6.98 crore as on March 31, 2024 (₹2.55 crore as on December 31, 2024). Operating cycle elongated to 92 days in FY24 compared to 82 days in FY23, mainly due to elongation in debtor days.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable Criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Pharmaceuticals
Financial Ratios – Non financial Sector
Service Sector Companies

About the company and industry

Industry classification

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

Established in 2007, BIPL (CIN: U01409KA2007PTC042282) is a Bengaluru-based preclinical CRO. BIPL is in providing integrated discovery, development and regulatory services to pharmaceutical, biopharmaceutical, agrochemical, industrial chemical, herbal and nutraceutical, cosmetics, animal health and medical device companies. It has a fully equipped pre-clinical research facility with capacity of 127 animal rooms in Devarahosahally in Bengaluru, Karnataka.
BIPL's parent, VCRL is a full service global CRO specialising in early clinical development of drugs by conducting early phase clinical trials on healthy volunteers and patients. VCRL holds 91% in BIPL as on December 31, 2024.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	114.25	115.17	93.70
PBILDT	46.22	44.16	32.39
PAT	18.19	14.34	13.81
Overall gearing (times)	1.16	0.98	NA
Interest coverage (times)	5.84	4.85	5.22

A: Audited; UA: Unaudited; NA: Not available; 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: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure 1: Details of Instrument/Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.50	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	31/05/2028	15.86	CARE BBB+; Stable

Annexure 2: Rating History of 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	15.86	CARE BBB+; Stable	1)CARE BBB (RWD) (03-Apr-24)	1)CARE BBB; Stable (07-Apr-23)	1)CARE BBB; Stable (08-Apr-22)	-
2	Fund-based - LT-Cash Credit	LT	12.50	CARE BBB+; Stable	1)CARE BBB (RWD) (03-Apr-24)	1)CARE BBB; Stable (07-Apr-23)	1)CARE BBB; Stable (08-Apr-22)	-

LT: Long term

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

Annexure -4: Complexity level of instruments rated

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view 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.

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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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