FEBRUARY 19, 2016

CARE REVISES THE LT RATING AND REAFFIRMS THE ST RATING ASSIGNED TO THE BANK FACILITIES OF BIOLOGICAL E LTD

Ratings

Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	200.00 (enhanced from 100)	**CARE AA (Double A)**	**Revised from CARE A+ (Single A Plus)**
Long-term/Short-term Bank Facilities	250.00 (enhanced from 185)	**CARE AA/ CARE A1+ (Double A/ (A One Plus)**	**Revised from CARE A+ /CARE A1+ (Single A Plus/ A One Plus)**
Long Term Bank Facilities-Proposed Term Loan**	0.00		**Withdrawn**
Total	**450.00 (Rupees Four Hundred and Fifty crore only)**		

***CARE has withdrawn the rating assigned to these facilities with immediate effect, as the company has not availed the said facility.*

Rating Rationale

The revision in the ratings assigned to the bank facilities of Biological E Ltd (BEL) takes into consideration the improved overall financial risk profile in FY15 (refers to the period from April 01 to March 31) marked by growth in total operating income & profitability margins, growth in the order book position and improvement in capital structure. The ratings revision further takes into account BEL's healthy liquidity position and new long-term contracts entered by the company for supply of Pentavalent vaccine.

The ratings continue to derive strength from the experienced management, strong market position of the company in the vaccine segment being one of the few players across the globe to receive World Health Organisation (WHO) pre-qualification for Pentavalent vaccine manufacturing, revenue visibility from pentavalent vaccine through take or pay contracts with Bill & Melinda Gates Foundation (BMGF), diversified geographical market presence and strong R&D activities. However, the above ratings are constrained by the high regulatory risk associated with the industry, product and client concentration risk, forex risk and continuous need for capex.

Going forward, the ability of the company to expand its scale of operations under vaccine segment, diversify its product portfolio, fund its ongoing capex plans and sustain its growth and profitability margins would be the key rating sensitivities.

Background

Biological E Limited (BEL) was incorporated in 1953 as Biological Products Pvt Ltd. The company was founded by late Dr. D.V.K.Raju along with Dr. G.A.N. Raju. In 1964, Evans Medicals, a UK based pharma company which later got merged with Glaxo SmithKline (GSK) acquired 40% stake in the company, which was subsequently bought back by the present promoters, Dr Vijay Kumar Datla and relatives. The day to day operations of the company are looked after by Ms. Mahima Datla (daughter of Dr. Vijay Kumar Datla, former Chairman and Managing Director).

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

BEL is into manufacturing of vaccines (combination vaccines) especially in pediatric vaccines, formulations and active pharmaceutical ingredients. BEL was the first company in India to manufacture critical vaccines such as Anti-TB drugs, Heparin etc. Headquartered in Hyderabad, the company has five manufacturing facilities in India, of which four are located in and around Hyderabad and one is located at Dehradun in Uttarakhand. Vaccine manufacturing units located at Azamabad, Gaganpahad (AP) and Shameerpet (AP) are pre-qualified by World Health Organization (WHO) for production and supply of TT(Tetanus Texoid),DTP(Diphtheria, Tetanus, and Pertussis), Hep-B, Pentavalent and Japanese Encephalitis Vaccines.

For FY15, BEL reported a PAT of Rs. 351.44 crore (Rs. 237.68 crore in FY14) on a total income of Rs. 958.46 crore (Rs. 717.50 crore in FY14). Further, during 9MFY16 (unaudited), BEL registered turnover of Rs.650 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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