

Panacea Biotec Ltd

September 26, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	959.55	CARE B+, Stable (Single B plus; Outlook: Stable)	Revised from CARE D (Single D)
Short term Bank Facilities	61.97	CARE A4 (A Four; Outlook: Stable)	Revised from CARE D (Single D)
Total	1021.52 (Rupees One thousand twenty one crore and fifty two lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Panacea Biotec Limited (PBL) takes into account the improvement in the debt-servicing track record of the company since April 2017 on account of improved liquidity position. Further, the ratings continue to factor in the experienced promoters and management team of the company, its long track record of operations and various strategic alliances formed by the company to boost its revenues from overseas market. These rating strengths are, however, partially offset by PBL's weak financial risk profile, exposure to customer and product concentration risk in the vaccines segment and susceptibility of its margins to foreign exchange fluctuations. Going forward, the ability of the company to scale up its operations with better profitability margins as well as its ability to effectively manage its working capital cycle would be the key rating sensitivities.

Key Rating Weaknesses

Weak financial risk profile: During FY17, PBL reported total operating income of Rs.582.42 crore as compared to total operating income of Rs.672.46 crore in FY16, registering y-o-y decline of around 13%. The net revenues from operations have mainly decreased due to lower sale of pentavalent vaccine Easy - TT to UNICEF/PAHO, non-availability of IPV bulk leading to no sales of IPV vaccine, reduction in prices of products due to price control by NPPA, banning of irrational FDCs by DCGI and expiry of excise duty holiday period at Baddi facilities. PBILDT margin was 20.76% in FY17 (FY16: 20.53%). PBL has incurred loss before tax of Rs.83.78 crore (after considering exceptional items of Rs.37.54 crore) as against profit before tax of Rs.1.40 crore (after considering exceptional income of Rs.49.65 crore) for FY16. During the year, the exceptional items include provisioning of Rs.45.08 crore towards impairment of investments in NewRise Healthcare Pvt. Ltd. on account of its sale in April 2017. The overall gearing deteriorated from 10.13x as on March 31, 2016 to 22.65x as on March 31, 2017. Further in Q1FY18, PBL's Operating income was Rs 105.50 crore with negative PBILDT of Rs 6.02 crore as against income of Rs 135.22 crore with PBILDT of Rs 21.42 crore in Q1FY17.

Exposure to foreign exchange fluctuation risk

PBL exports its product to around 30 countries including USA and Germany and has achieved exports turnover of Rs.200 crore during the year. In FY17, 34.56% (PY: 36.30%) of total operating income came from overseas markets. As such, the profitability margins of PBL remain exposed to foreign exchange fluctuation risk. The company partially mitigates its foreign exchange risk through natural hedge. Natural hedge is available through import of around 31% of total raw materials. Further, PBL is also susceptible to product concentration risk as around 50% of its total operating revenue comes from vaccines segment.

Key Rating Strengths

Experienced promoters and management team and long track record of operations: The Company has been in the pharmaceutical business since 1984 and has a long track record of operations of more than 30 years. The company is promoted by the Jain family headed by Mr Soshil Kumar Jain who has an experience of more than 50 years in the pharmaceutical industry. He is assisted by Mr Ravinder Jain, Dr Rajesh Jain and Mr Sandeep Jain in looking after the operations of the company. The senior management team of PBL comprises of well-qualified and experienced members.

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

Analytical approach:

Standalone

Applicable Criteria[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[CARE's methodology for manufacturing companies](#)[Rating Methodology - Pharmaceutical Sector](#)[Financial ratios – Non-Financial Sector](#)[Criteria for Short Term Instruments](#)**About the Company**

Panacea Biotec Limited (PBL) was incorporated in February, 1984 under the name of Panacea Drugs Private Limited (PDPL). In September 1993, it was converted into a public limited company and its name was changed to the present one. PBL is promoted by the Jain family headed by Mr. Soshil Kumar Jain and is one of the leading biotechnology companies in India involved in manufacturing of vaccines and pharmaceutical formulations. PBL has manufacturing facilities in Himachal Pradesh and Punjab for vaccines and pharmaceutical formulations complying with international regulatory standards of USFDA, UK-MHRA, and WHO-cGMP standards etc. On account of the deterioration in the financial risk profile during the period FY12-14, the company approached the CDR cell for restructuring of the debt and executed a CDR scheme in FY15. Since then, PBL continues to service its debt obligations as per the CDR terms.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	672.46	582.42
PBILDT	138.07	120.91
PAT	0.87	-86.25
Overall gearing (times)	10.13	22.65
Interest coverage (times)	1.20	1.19

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

Analyst Contact

Name: Mr Gaurav Dixit

Tel: 011-45333235

Cell: 9717070079

Email: gaurav.dixit@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	959.55	CARE B+; Stable
Non-fund-based-Short Term	-	-	-	61.97	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based-Long Term	LT	959.55	CARE B+; Stable	1)CARE D (20-Sep-17)	1)CARE B+ (12-Aug-16)	1)CARE B- (31-Mar-16) 2)CARE D (23-Apr-15)	-
2.	Non-fund-based-Short Term	ST	61.97	CARE A4	1)CARE D (20-Sep-17)	1)CARE A4 (12-Aug-16)	1)CARE A4 (31-Mar-16) 2)CARE D / CARE D (23-Apr-15)	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691