

June 18, 2013

Facilities	Amount (Rs. Crore)	Rating
Term Loan	0.20	SMERA BBB- (Assigned)
Cash Credit	10.00	SMERA BBB- (Assigned)
FDDBP/FDUBD	8.00	SMERA BBB- (Assigned)
Letter Of Credit	1.00	SMERA A3 (Assigned)
Bank Guarantee	15.00	SMERA A3 (Assigned)

SMERA has assigned a rating of '**SMERA BBB-**' (**read as SMERA Triple B Minus**), to the fund based facilities, and '**SMERA A3**' (**read as SMERA A Three**) to the non-fund based facilities of Bangalore Biotech Labs Private Limited (BBLPL). The outlook is **Stable**. The ratings factor in BBLPL's established relationship with reputed clientele, healthy margins, comfortable capital structure, strong debt protection metrics and experienced management.

The ratings are, however, constrained by limited scale of operations, working capital intensive operations, and competition from large and established players.

Over the years, BBLPL has established strong relationships with reputed clients including Sanofi, Institute of Animal Health & Veterinary Biologicals (IAHVB), Serum Institute of India Ltd, Biological E Limited, USV Limited, The Biovac Institute - South Africa, Kapa Biosystems- South Africa, LG Life Science-South Korea, MSD Laboratories - New Zealand. This has helped BBLPL to get repeat orders.

BBLPL has a comfortable financial profile marked by healthy net profit margin (PAT) of 9.6 per cent for FY2011-12 and an improved capital structure with leverage at 0.7 times as on March 31, 2012. Further, BBLPL's interest coverage has also remained strong at 6.8 times for FY2011-12. The ratings also continue to derive strength from the experience and long track record of the promoters and the company's accredited manufacturing facilities. BBLPL also has Department of Scientific and Industrial Research certified in-house R&D facility.

The ratings also factor in the company's modest scale of operations: the operating income has remained stagnant at Rs.37.66 crore in FY2011-12. Moreover, BBLPL's operations are working capital intensive, resulting in high gross current asset days of over 250 days (an average of last 5 years). As the company's revenues are primarily based on projects, BBLPL's carries high amount of receivables and inventory on its books. The ratings also factors in competition from large and established players.

Outlook - Stable

SMERA believes that BBLPL's outlook will remain stable over the medium term, driven by steady orders in hand. The outlook may be revised to 'Positive' in case the company registers higher growth in cash flows and manages working capital efficiently. The outlook may be revised to

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'Negative' if company's revenue stagnate and borrows additional debt for its working capital requirements.

About the Company

BBLPL is a Bangalore based bioprocess engineering company, incorporated in 2001. It specializes in designing of biopharmaceutical plants, supplying bioprocess equipments, and providing consultancy service for establishing biopharmaceutical plants. The company is headed by Mr. P. Joseph Baby, who has more than three decades of experience in the industry and is ably supported by Mr. Vibin Joseph, as Executive Director.

BBLPL provides turnkey solutions to set up biopharmaceutical plants. The company has three divisions – designing and build systems (manufacturing division), consultancy division, and training division (provides training on products and services at different levels of value chain). The company also has approval from the Department of Biotechnology. For FY2011-12, BBLPL reported net profit of Rs.3.62 crore on operating income of Rs.37.66 crore.

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