

Press Release

Biotech Vision Care Private Limited (BVCPL)

March 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 49.70 Cr
Long Term Rating	SMERA BBB/Stable
Short Term Rating	SMERA A3+

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs.49.70 crore bank facilities of Biotech Vision Care Private Limited (BVCPL). The outlook is '**Stable**'.

BVCPL, is a Gujarat-based company, engaged in the manufacture of intraocular lenses (IOL). For analytical purposes, SMERA has consolidated the business and financial risk profiles of five companies. These are Biotech Ophthalmic Private Limited, Biomedical Life Sciences Private Limited, Biotech Vision Care Holding GMBH (Switzerland) that are 100 percent subsidiaries apart from Biotech Europe Meditech Inc.Limited, Ireland (100 per cent subsidiary of Biotech Vision Care Holding GMBH) and Biotech Vision Care SAN VE. TIC. A.S. Turkey, an 80 per cent subsidiary.

SMERA has adopted a consolidated approach on account of the significant operational and financial linkages apart from a common management.

List of key rating drivers and their detailed description

Strengths

Experienced management: Mr. Mehul Asnani, the promoter, has experience of over a decade in the eye care industry. He has established a market for his products in India and overseas with presence in around 120 countries, on the strength of the consistent product quality and established marketing network. The revenue of the group stood at Rs. 114.64 cr in FY2016.

Healthy profitability: The group registered healthy operating profitability which increased from 19.33 per cent in FY2015 to 21.81 per cent in FY2016 (provisional) mainly on account of control on the overheads of the group.

Healthy financial risk profile: The group has a healthy financial risk profile marked by comfortable gearing of around 0.51 times and net worth of Rs.92.18 cr as on 31 March, 2016 (provisional). The debt of Rs. 47.10 cr as on 31 March, 2016 (provisional) comprises working capital borrowings of Rs.28.07 cr and term debt of Rs.19.03 cr. The group generated net cash accruals of Rs.15.94 cr for FY2016 (provisional) as against Rs. 13.59 cr for FY2015. The debt protection metrics of the group are comfortable with NCATD (Net cash accruals to Total Debt) of 0.34 times for FY2016 (0.54 times in FY2015). The interest coverage ratio stands comfortable at 5.97 times for FY2016 (provisional).

The company has ongoing expansion projects in two of its subsidiaries - Biomedical Lifescience Private Limited and Biotech Europe Meditech Inc., Ireland. The projects are expected to be operational from FY2018 and contribute to the improvement in credit metrics.

SMERA believes that the financial risk profile will remain strong on the back of its robust cash accruals from operations coupled with prudent dependence on external debt thereby resulting in comfortable gearing and coverage indicators.

Established clientele base: The group exports around 70 per cent of its total sales to 120 countries across North Africa, South America, South East Asia, Middle East and the SAARC nations. The company operates through its subsidiaries in Switzerland and Turkey.

Weaknesses

Working capital intensive operations: The group's operations are working capital intensive with Gross Current Assets days (GCA days) at 352 in FY2016 (provisional) compared to 315 in FY2015. This is mainly on account of increase in debtors to 194 days in FY2016 (provisional) from 138 days in FY2015. The company's inventory also stood high at 112 days in FY2016 (provisional).

The group needs to maintain high inventory in order to cater to overseas orders at a short notice. The debtor days have also increased as the company is into bundled payment system for sale of eye care equipments of Carl Zeiss India (around ~8 per cent of revenues) where the credit is extended to a three year term. The average cash credit utilisation stood high at around ~ 94 per cent during January to December, 2016.

Intense competition: The group faces intense competition from international brands including Bausch & Lomb, Novartis, Abbot Medical Optics among others. Besides, it has to continually invest in marketing and distribution to tap new markets and consolidate its presence in the existing markets. The presence of established players in the eye care segment will continue to impact the group's ability to achieve significant revenue growth while maintaining its profitability margins over the near to medium term.

Analytical approach: SMERA has consolidated the financial and business risk profiles of the subsidiaries - Biotech Ophthalmic Private Limited, Biomedical Lifesciences Private Limited, Biotech Vision Care SAN VE. TIC. A.S. Turkey, Biotech Vision Care Holding GMBH (Switzerland) and Biotech Europe Meditech Inc. Ltd., Ireland to arrive at the rating.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that BVCPL's rated facilities will continue to maintain a stable outlook and benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company generates revenue and profitability with prudent working capital management and sustains the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected margins and higher working capital requirement.

About the Rated Entity

BVCPL, (the erstwhile Vista Implants Private Limited) established in 1999 is led by Directors, Mrs. Lalitaben Shah, Mrs. Ruchira Asnani and Mr. Mehul Asnani. The day-to-day operations are led by Mr. Mehul Asnani.

The company is engaged in the manufacture of intraocular lenses (IOL) and has approximate installed capacity of 2.4 million IOLs per annum. The company also manufactures strips, spears and surgical blades required for cataract surgeries at Katraj, Gujarat. These products account for around 10 per cent of the revenue.

The company is also into bundled payment system which accounts for around ~8 per cent of the total revenue. The company is the sole distributor of Carl Zeiss India - ophthalmic equipments to doctors in India.

BVCPL has four operational subsidiaries and one step down subsidiary. Biotech Ophthalmic Private Limited (100 per cent subsidiary) is engaged in the manufacturing of viscoelastic solutions used in ophthalmology, dermatology, orthopedic and urology products.

Biomedical Lifesciences Private Limited (100 per cent subsidiary) is in the process of setting up a similar unit for viscoelastic solutions. The other subsidiaries, Biotech Vision Care SAN VE. TIC. A.S. Turkey & Biotech Vision Care Holding GMBH (Switzerland) are engaged in the trading of intraocular lens and solutions.

Biotech Europe Meditech Inc. Limited, Ireland (100 per cent subsidiary of Biotech Vision Care Holding GMBH) has also set up a unit for manufacture of intraocular lens.

For FY2015-16 (provisional), BVCPL (Group) reported profit after tax (PAT) of Rs.12.12 cr on operating income of Rs.114.64 cr, as compared to PAT of Rs.9.82 cr on operating income of Rs.105.19 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): CARE Ratings in the press release dated April 07, 2016 has suspended the rating of Biotech Vision Care Private Limited and has stated the following "The ratings have been suspended as the company has not furnished the information required by CARE for monitoring of the ratings."

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Working Capital Limit	LT	19.70**	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-
Term Loan I	LT	4.80@	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-
Cash Credit	LT	13.00	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-
Foreign Documentary Bills Negotiation under LC	ST	2.00	SMERA A3+ (Assigned)	-	-	-	-	-	-
Term Loan II	LT	2.10	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-
Term Loan III	LT	6.00	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-
Overdraft	LT	1.85	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.20	SMERA A3+ (Assigned)	-	-	-	-	-	-
Proposed Facility	LT	0.05	SMERA BBB/Stable (Assigned)	-	-	-	-	-	-

@Sanctioned limit Rs.5.20 crore

**Pre-shipment/Post Shipment – Rs. 19.00 Cr., Buyer Credit - Rs. 5.00 Cr, Sight/Usance LC-Rs.10.00 Crore, Bank Guarantee - Rs. 2.00 crore, WCDL – Rs. 10.00 Cr, Cash Credit – Rs. 12.00 Cr, Bill Discounting – Rs. 19.00 Cr and SBL – Rs. 2.00 Cr

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Working Capital Limit	NA	NA	NA	19.70**	SMERA BBB/Stable (Assigned)
Term Loan I	NA	NA	NA	4.80@	SMERA BBB/Stable (Assigned)
Cash Credit	NA	NA	NA	13.00	SMERA BBB/Stable (Assigned)
Foreign Documentary Bills Negotiation under LC	NA	NA	NA	2.00	SMERA A3+ (Assigned)
Term Loan II	NA	NA	Aug, 2019	2.10	SMERA BBB/Stable (Assigned)
Term Loan III	NA	NA	NA	6.00	SMERA BBB/Stable (Assigned)
Overdraft	NA	NA	NA	1.85	SMERA BBB/Stable (Assigned)
Bank Guarantee	NA	NA	NA	0.20	SMERA A3+ (Assigned)
Proposed Facility	NA	NA	NA	0.05	SMERA BBB/Stable (Assigned)

@Sanctioned limit Rs.5.20 crore

**Pre-shipment/Post Shipment – Rs. 19.00 Cr., Buyer Credit - Rs. 5.00 Cr, Sight/Usance LC-Rs.10.00 Crore, Bank Guarantee - Rs. 2.00 crore, WCDL – Rs. 10.00 Cr, Cash Credit – Rs. 12.00 Cr, Bill Discounting – Rs. 19.00 Cr and SBL – Rs. 2.00 Cr

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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