

Press Release

Biotech Vision Care Private Limited

September 06, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 67.70 Cr. (Enhanced from Rs. 49.70 Cr.)
Long Term Rating	ACUITE BBB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and reaffirmed, assigned short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 67.70 Cr. (enhanced from Rs. 49.70 Cr.) bank facilities of Biotech Vision Care Private Limited (BVPL). The outlook is '**Stable**'.

BVPL, a Gujarat-based company, was incorporated in 1999. The company is engaged in developing and manufacturing of high quality, innovative ophthalmic surgical and eye care products that address a wide range of eye disorders. The company mainly manufactures intraocular lenses (IOL). BVPL has a production capacity of over 6.23 million IOLs per annum. The company currently exports its products to 60 countries including those in Europe, South America, the Middle East, North Africa, South-East Asia and the SAARC Nations and market their products through distribution network in over 75+ countries.

Analytical Approach

Acuite 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. Extent of Consolidation: Full

Key Rating Drivers

Strengths

• Experienced management and establish track record of operations

BVPL a Gujarat-based company was incorporated in 1999 and has established presence of over two decades in developing and manufacturing of high quality, innovative ophthalmic surgical and eye care products. The key promoter, Mr. Mehul Asnani (Chairman & Managing Director), has experience of over two decades in the eye care industry. Extensive network of the promoters has established market for their products in India and in overseas market with presence in around 120 countries. The other directors, Mrs. Ruchira Asnani and Mrs. Nirmla Asnani, have over a decade of experience in the said line of business. The company is also supported by second line of management. Acuite believes that the extensive experience of the promoters is reflected through the established relationship with its customers and suppliers.

• Healthy financial risk profile

The company's financial risk profile is healthy, marked by a healthy network, low gearing and healthy average debt protection metrics. BVPL's network is healthy which stood at around Rs.117.45 crore as on March 31, 2019 (Provisional) as against Rs.100.05 crore as on 31 March, 2018. The network levels have seen significant improvement over the last three years through FY2019 on account of ploughing back of profits. The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible network (TOL/TNW) levels of 0.53 times and 1.24 times as on March 31, 2019 (Provisional). The leverage levels continue to remain low to at 0.38 times as on March 31, 2019 (Provisional). The

company incurred capex of Rs.25.70 crore over the last three years to expand its scale of operations. BVPL's moderate cash accruals which stood at Rs. 19.57 crore, which have supported in minimising the reliance on external debt lead to healthy gearing and debt levels of 0.38 times to 0.53 times and Rs. 44.73 crore as on March 31, 2019(Provisional). The company's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.19.50 crore to Rs. 23.00 crore, which are comfortable to service its repayment obligations while supporting the routine capex and incremental working capital requirements. As a result, the gearing however is expected to moderate to around 0.50 times to 0.60 times as on March 31, 2020 on back of absence of any major debt funded capex plan. The revenues of the company increased by around 3 per cent to 4 per cent to Rs. 152.95 crore during 2018-19, while its operating margins were moderate in the range of 26.90 – 27.80 per cent. The healthy profitability levels coupled with low debt levels has led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY019 (Provisional) were moderate at 0.44 times and 6.32 times, respectively.

Weaknesses

• Working capital intensive nature of operations

BVPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 411 days as on March 31, 2019 (Provisional). The company imports a significant portion of its raw material requirements and therefore maintains an inventory of around 120 to 160 days as the in-transit time is around 90 days. The company also maintains 60 days of finished goods of inventory in order to cater to spot orders from customers. On the other hand, the company is able to get an extended credit period from its suppliers, leading to higher reliance on working capital limits. Further, it allows a credit period of 90 to 180 days to its customers and also provides extended period to acquire new clientele, to penetrate more into newer territories. BVPL's working capital limits over the last six months period was utilized at an average of 93 per cent, while the peak utilization was high at around 98.98 per cent during the same period. Acuité expects the operations of the company to remain working capital intensive on account of the high inventory levels maintained by the company to cater to spot orders/extended credit period offered to acquire new customers/expand its sales to new geography.

• High competition

The group faces intense competition from established domestic and international brands including Bausch & Lomb, Novartis and 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 several established players and availability of cheaper products in the Intraocular lenses and 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.

Liquidity Position:

The liquidity position of the group is adequate marked by adequate cash accruals and moderately working capital intensive nature of operations. It has reported cash accruals of Rs. 19.57 crore in FY2019 (Provisional) as against Rs. 25.14 crore in FY2018. Its expected cash accruals are in the range of Rs.19.50 crore to Rs. 23.00 crore against the repayment obligations of Rs.5.50 crore –Rs. 6.00 crore. BVPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 411 days as on March 31, 2019 (Provisional); resulting in high utilisation of its limits at 93 per cent over last six months ending through July 2019. Its current ratio is weak at 1.61 times in FY2019 (Provisional) as against 1.50 times in FY2018. Acuité believes that with moderate accruals and improving scale of operations, the liquidity profile continues to be adequate over the medium term.

Outlook: Stable

Acuité believes that BVPL will continue to maintain a 'Stable' outlook and benefit over the medium term owing to its experienced management and established market position. 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 - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	152.95	148.17	119.78
EBITDA	Rs. Cr.	41.18	41.16	26.39
PAT	Rs. Cr.	14.08	19.63	10.41
EBITDA Margin	(%)	26.93	27.78	22.03
PAT Margin	(%)	9.20	13.25	8.69
ROCE	(%)	21.27	21.88	14.70
Total Debt/Tangible Net Worth	Times	0.38	0.51	0.53
PBDIT/Interest	Times	6.32	7.87	5.67
Total Debt/PBDIT	Times	1.12	1.27	2.01
Gross Current Assets (Days)	Days	411	380	369

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Jun-2018	Term Loan	Long Term	3.83	ACUITE BBB / Stable (Reaffirmed)
	Term Loan	Long Term	1.30@	ACUITE BBB / Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	19.70*	ACUITE BBB / Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB / Stable (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	2.10	ACUITE BBB / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	10.07	ACUITE BBB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.20	ACUITE A3+ (Reaffirmed)
02-Apr-2018	Term Loan	Long Term	4.80	ACUITE BBB (Indicative)
	Cash Credit	Long Term	13.00	ACUITE BBB (Indicative)
	Bills Discounting	Short Term	2.00	ACUITE A3+ (Indicative)
	Term Loan	Long Term	2.10	ACUITE BBB (Indicative)

	Term Loan	Long Term	6.00	ACUITE BBB (Indicative)
	Bank Guarantee	Short Term	0.20	ACUITE A3+ (Indicative)
	Proposed Bank Facility	Long Term	0.05	ACUITE BBB (Indicative)
	Secured Overdraft	Long Term	1.85	ACUITE BBB (Indicative)
17-Mar-2017	Working Capital Demand Loan	Long Term	19.70	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	4.80	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB / Stable (Assigned)
	Post Shipment Credit	Short Term	2.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	2.10	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE BBB / Stable (Assigned)
	Secured Overdraft	Long Term	1.85	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	0.05	ACUITE BBB / Stable (Assigned)

@Sanctioned limit Rs.5.20 Crore

*Pre-shipment/Post Shipment – Rs. 19.00 Cr., Sight/Usance LC-Rs.10.00 Crore, Bank Guarantee - Rs. 2.00 crore, WCDL – Rs. 16.00 Cr, Cash Credit – Rs. 19.00 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 demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	19.70*	ACUITE BBB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.28	ACUITE BBB /Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50#	ACUITE BBB /Stable (Reaffirmed)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.95	ACUITE BBB /Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.40	ACUITE BBB /Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	12.63	ACUITE BBB /Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.04	ACUITE A3+ (Assigned)

*Pre-shipment/Post Shipment – Rs. 19.00 Cr., Sight/Usance LC-Rs.10.00 Crore, Bank Guarantee - Rs. 2.00 crore, WCDL – Rs. 16.00 Cr, Cash Credit – Rs. 19.00 Cr, Bill Discounting – Rs. 19.00 Cr and SBL – Rs. 2.00 Cr

Sub limits of Rs.8.00 Cr. as PCFC/FDBP/FDBD/PSFC and Rs.2.50 cr. as working capital demand loan.

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About Acuité Ratings & Research:

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