



**Press Release**  
**Balpharma Limited**  
**December 30, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	130.50	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	26.50	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	189.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs.130.50 Cr. bank facilities and the short-term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.26.50 Cr. bank facilities of Balpharma Limited (BPL).

Further, Acuite has also assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs 32.00 Cr. bank facilities of Balpharma Limited (BPL). The outlook is ‘**Stable**’.

**Rationale for rating**

The rating reaffirmation considers the long operational track record, stable growth in operating revenue with improvement in operating and profitability margins. The company has been able to sustain its scale of operations through consistent demand of products at domestic and international levels, presence in institutional business of railways, defence and Pradhan Mantri Yojana-Jan Aushadhi (PMY) and support from PLI Scheme. Further, the rating also draws comfort from the diversified revenue profile and adequate liquidity position of the company. However, these strengths are partially offset by moderate financial risk profile, intensive working capital operations and risks associated with government’s regulations.

**About Company**

Balpharma Limited (BPL) was incorporated in 1987 by the Bangalore based Siroya family. The company is engaged in manufacturing of bulk drugs, generic formulations and Ayurvedic products. The company has 5 operational production units spread across Bangalore, Sangli, Rudrapur and Udaipur. Presently the company is managed by Mr. Shailesh Siroya, Managing Director.

**About the Group**

Balpharma group consist of Balpharma Limited and its subsidiaries namely- Lifezen Healthcare Private Limited, Bal Research Foundation, Balance Clinic LLP, Golden Drugs Private Limited and Aurum Research and Analytical Solutions Private Limited. The group is primarily engaged in the manufacturing and selling of pharmaceutical products and related services. The group caters to both domestic and international markets.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

## **Extent of Consolidation**

- Full Consolidation

## **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the business and financial risk profiles of Balpharma Limited (BPL) and its subsidiaries namely, Lifezen Healthcare Private Limited(LHPL), Bal Research Foundation(BRF), Balance Clinic LLP(BCL), Golden drugs Private Limited (GDPL) and Aurum Research and Analytical Solutions Private Limited (ARASPL) together referred to as the BPL group to arrive at the rating. The consolidation is in view of the similarities in the lines of business and common management.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations**

Balpharma Limited (BPL) has an established track record of more than 32 years in the business of manufacturing of bulk drugs and formulations. The company is engaged in supply of API & Formulation which accounted for 47 percent & 52 percent of revenue contribution in FY24 respectively. Further, the group has a diversified product profile that includes 200 generic formulations in 20 different therapeutic segments and 22+ APIs. The group has five operational manufacturing units across India in Bangalore, Rudrapur, Sangli and Udaipur. The company generates 70 percent of its revenue from overseas markets and remaining 30 percent from domestic market.

The APIs are being sold at domestic level and exported to Europe, Far East, Latin America, Africa, Japan, Australia, etc. and formulations being exported to other semi-regulated and non-regulated markets across the globe. Further, BPL is now also foraying into regulated market like Europe through contract manufacturing which began in January 2024.

Acuite believes that BPL will continue to benefit from its established track record of operations and diversified business segment over the medium term.

#### **Growth in revenue and profitability**

BPL has been able to maintain its leadership position in the market by the way of increased presence and other expansion metrics. The revenue of the company stood increased at Rs. 339.84 Cr. in FY24 as against Rs. 304.33 Cr. in FY23. BPL has qualified under GOI's production linked incentive scheme (PLI) and is expected to receive incentives of around Rs. 30 Cr. over next six years starting from FY23-24. Further, BPL is expanding its operations by setting a greenfield API unit at Karnataka at a total cost of Rs. 37.00 Cr. for production of new products and expanding its existing capacity. The production is about to commence from June 2026. The margins of the company stood increased with operating margin of 9.51 percent in FY24 as against 8.39 percent in FY23 due to lowering of input chemical prices and efficient operation management through R&D. The company recorded PAT margin of 2.19 percent in FY24 as against 0.86 percent in FY23.

Acuite believes that, the company has been sustaining through fluctuation in raw material prices and price competition in API segment and these factors will continue to be a key monitorable.

### **Weaknesses**

#### **Moderate financial risk profile**

The company's financial risk profile remained moderate, primarily marked by moderate net worth, marginal improvement in gearing level and debt protection metrics. The net worth of the company has improved to Rs.54.66 Cr. as of March 31, 2024 from Rs.49.42 Cr. as of March 31, 2023 due to the accretion of profits to reserves. The gearing stood improved at 2.55 times as of March 31, 2024 against 2.65 times as of March 31, 2023. Marginal improvement in gearing is due to decrease in short term debt to Rs.95.75 Cr. in FY24 from Rs.100.48 Cr. in FY23. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood increased at 2.24 times and 2.13 times respectively, as of March 31, 2024. Further, the company is expected to raise debt of Rs.27.00 Cr. to fund its API unit capex. Acuite believes that financial risk profile of the group will improve over the medium term backed by growth in operations and expected receipt of incentives from GOI under PLI scheme.

#### **Intensive working capital management**

Working capital operations of BPL are intensive, as evident from the gross current assets (GCA) of 235 days in FY24 against 266 days in FY23. This is largely driven by high inventory days of 104 days in FY24 as against 128 days in FY23 due to stock maintenance and diversification into multiple products. The debtor days improved marginally to 107 in FY24, against 113 days in FY23. Further, the creditor days of the group stood at 147 in FY24, against 166 days in FY23. Intensive working capital cycle has led to higher reliance on the fund-based working capital limits, which were utilized at an average of ~87 percent in past 07 months ending October 31, 2024.

### **Regulatory Risk**

Pharma Industry is highly competitive and regulated in nature as government intervention is very high. Moreover, the manufacturing facilities of group have to be regularly monitored and approved by various regulatory authorities across the globe. Hence any prohibitions or restriction imposed by regulatory authorities on the manufacturing facilities in future can significantly affect operation of the group.

### **Rating Sensitivities**

- Detoriation in the financial risk profile.

- Further elongation in working capital operations leading to deterioration in liquidity position.
- Sustainable growth in revenue while improving the profitability margin.

### **All Covenants**

Not Applicable

### **Liquidity Position**

#### **Adequate**

Liquidity position of the company is adequate as reflected from sufficient net cash accruals (NCA) of Rs.15.95 Cr. during FY24 against maturing debt obligations of Rs.7.76 Cr. Besides, the group also has unencumbered cash and bank balances of Rs.4.80 Cr, providing addition support to liquidity. Going forward, company is expected to generate cash accruals in the range of Rs.18.00-20.00 Cr. over the medium term, while repayment obligations are expected to be in the range of Rs.10.00-Rs.12.00 Cr. for the same period.

### **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	339.84	304.33
PAT	Rs. Cr.	7.45	2.62
PAT Margin	(%)	2.19	0.86
Total Debt/Tangible Net Worth	Times	2.55	2.65
PBDIT/Interest	Times	2.24	2.14

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 May 2024	Letter of Credit	Short Term	14.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	1.14	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.38	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.29	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	7.36	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	12.64	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	19.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	7.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.19	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.63	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.14	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.73	ACUITE BBB-   Stable (Assigned)
21 Apr 2023	Letter of Credit	Short Term	12.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	9.28	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.26	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	7.36	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	13.50	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	5.50	ACUITE BBB-   Stable (Assigned)
	Packing Credit	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Packing Credit	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.16	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.33	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.39	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	50.72	ACUITE BBB-   Stable (Reaffirmed)
23 Feb 2022	Letter of Credit	Short Term	12.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A3 (Assigned)
	Term Loan	Long Term	3.22	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.16	ACUITE BBB-   Stable (Assigned)
	PC/PCFC	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	10.12	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	21.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.00	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	72.44	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.56	Simple	ACUITE BBB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.30	Simple	ACUITE BBB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.11	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	01 Apr 2022	Not avl. / Not appl.	01 Mar 2027	1.19	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	01 Apr 2023	Not avl. / Not appl.	01 Sep 2027	1.00	Simple	ACUITE BBB-   Stable   Reaffirmed
STCI Finance Ltd.	Not avl. / Not appl.	Term Loan	01 Jan 2025	Not avl. / Not appl.	01 Dec 2029	20.00	Simple	ACUITE BBB-   Stable   Reaffirmed
South Indian Bank	Not avl. / Not appl.	Term Loan	01 May 2018	Not avl. / Not appl.	01 Dec 2030	3.41	Simple	ACUITE BBB-   Stable   Reaffirmed
South Indian Bank	Not avl. / Not appl.	Term Loan	01 Apr 2018	Not avl. / Not appl.	01 Oct 2033	2.62	Simple	ACUITE BBB-   Stable   Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Term Loan	01 Apr 2024	Not avl. / Not appl.	01 Sep 2028	3.73	Simple	ACUITE BBB-   Stable   Reaffirmed

Canara Bank	Not avl. / Not appl.	Term Loan	01 Apr 2022	Not avl. / Not appl.	01 Mar 2027	0.14	Simple	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2033	27.00	Simple	ACUITE BBB-   Stable   Assigned

**\*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Company Name
1	Balance Clinics LLP
2	Bal Research Foundation
3	Lifezen Healthcare Private Limited
4	Golden Drugs Private Limited
5	Aurum Research & Analytical Solutions Private Limited
6	Balpharma Limited



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### About Acuité Ratings & Research

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